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NEWS SUMMARY

Haughey in 11th-hour bid to save Sands

IRISH Prime Minister Charles Haughey called on the European Commission on Human Rights to make "immediate intervention" in what he called an 11th-hour bid to save IRA hunger-striker Bobby Sands.

There was probably enough evidence for the commission to act, following the recent visit of two commissioners to the Maze Prison, said Mr. Haughey.

In Strasbourg, the European Parliament rejected a French Communist call for a debate on Sands—but the issue could come before the assembly later this week.

Sands, in the 65th day of his hunger strike, was still in a coma. His family, who maintained a bedside vigil last night, thought he was only hours away from death.

Belfast was tense, with the Royal Ulster Constabulary much in evidence in Catholic areas. Troops carried out spot checks on both people and vehicles.

There were sporadic outbreaks of stoning and petrol bombing.

GENERAL

Syria adds to Lebanon missiles

Israel said Syria had moved more missiles to its border with Lebanon, and warned that the deployment of similar weapons in eastern Lebanon was a provocation Israel could not ignore..

Earlier, the U.S. asked Israel to allow more time for diplomatic efforts to resolve the crisis. Page 2

Sweden crisis

Sweden's non-socialist coalition government broke apart when Moderate (conservative) ministers resigned over a tax reform agreement. Swedish office strike, Page 3

Tapping' probe

Australian police were reported to be investigating the possibility that some of Prince Charles's telephone calls from Sydney to Lady Diana Spencer and the Queen were tapped.

Observer move

The publisher of the Melbourne Age, Australia's most important newspaper, confirmed it was interested in joining a consortium to bid for The Observer. Back Page

Oil-ship row

Iran wants an official apology from Kuwait before it releases an oil survey ship seized in its Gulf waters last week. The crew includes 11 Britons.

TV debate

French Presidential rivals Francois Mitterrand and Giscard d'Estaing agreed after a week of haggling to meet in a televised debate today.

More homes

Private housing starts rose by 25 per cent in the first four months of this year, says the National House Building Council. Page 4

Double trouble

The European Football Union rejected an appeal by identical twins who play for VFB Stuttgart and were punished for fooling a referee into cautioning the wrong brother.

Quiet holiday

The AA said bad weather made yesterday one of the quietest Bank Holidays on record, with only 1,000 cars an hour on coast roads instead of the normal 2,500. Weather, Back Page

Chain gang

What is believed to be a world record was set when 12,000 people joined hands to form a 10-mile chain in Shropshire in a fund-raising event for the Year of the Disabled.

Briefly . . .

South African lightweight boxer Molsie Tlali died after a weekend knockout.

Mother and four children died in a house fire in County Galway, Irish Republic.

Talbot UK increased prices of three car models by an average 4.1 per cent.

BUSINESS

Socal drops $4.3bn bid for Amax

● SOCAL, the fourth-largest U.S. oil company, withdrew its offer for Amax, which would have been worth up to $4.3bn (£2bn). Page 24

● WALL STREET was down 17.92 before the close at 977.67. Page 23

● LONDON markets were closed for the May Day holiday.

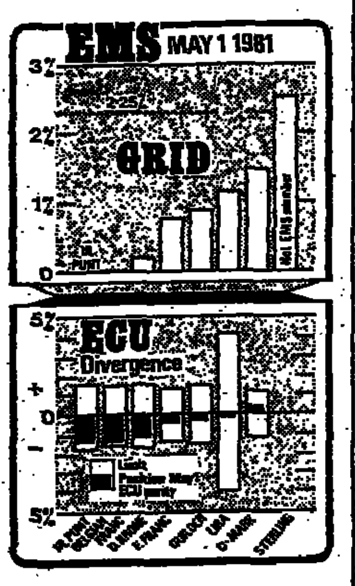
● MONEY SUPPLY was boosted last month by the impact of the Civil Service dispute on tax receipts. Back Page

● TAKEOVER PANEL called for Gasco Investments' bid for St. Piran to be referred to the Monopolies Commission. Page 16

● AUEW national committee is expected to reject proposals to accept Government cash to fund postal ballots. Back Page

● D-MARK remained at the top of the European Monetary System last week, in quiet trading with most European centres closed on Friday for the May Day holiday. Although West Germany's trade figures returned to a deficit in March, the results were better than some estimates, and the D-Mark showed little reaction. The Belgian franc weakened on Wednesday, following the cut in Belgium's discount rate, but recovered some of the lost ground on Thursday, and finished equal to the Irish punt at the bottom of the system.

All currencies were within agreed limits at the beginning of the week, but later on an adjustment was made for sterling's excess appreciation against the Belgian franc. High U.S. interest rates, with prime rates rising to 18 per cent from 17½ per cent, and news of the lowest U.S. trade deficit for five years, pushed the dollar to its highest levels for nearly 10 years against the French franc, and to a record in terms of the lira.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

Arms control talks 'by end of year' Haig tells Ministers

BY BRIDGET BLOOM IN ROME

THE U.S., bowing to pressure from its European allies, will open negotiations with the Soviet Union on limitation of nuclear weapons in Europe before the end of this year.

Mr. Alexander Haig, the U.S. Secretary of State, told the Ministerial Council of the North Atlantic Treaty Organisation which opened in Rome yesterday that he would discuss arms control negotiations with Mr. Andrei Gromyko, the Soviet Foreign Minister, in New York in September.

That meeting, he said, would prepare the way for a resumption of negotiations, probably in Geneva, before the end of the year.

There is considerable relief among NATO's European members that the U.S. has at last agreed to a framework for arms talks, even though no specific date has been named.

Washington's commitment to talks is seen as of high political importance, especially by those Governments, including the West German, Dutch, Belgian and to a lesser extent British, which are under increasing domestic pressure from anti-nuclear, pro-disarmament lobbies.

The U.S. has so far refused to give its allies more than a commitment to talks in principle, on the grounds both that tension over Poland made it inappropriate, and that as a new Administration it wanted to review its policy on security.

Lord Carrington, the Foreign Secretary, welcomed the U.S. announcement last night, saying that he believed it would lead to a new affirmation of the unity of purpose of the alliance.

Though there was clearly some disappointment, especially in the West German and Dutch delegations, that substantive negotiations could not possibly begin till October or November at the earliest, most European Ministers seemed to recognise that Mr. Haig had gone as far as the American domestic political situation at present allowed.

He is reported to have had considerable difficulty in getting the agreement of Mr. Casper Weinberger, U.S. Defence Secretary, as well as the White House to yesterday's cautious commitment.

Key European Ministers have thus decided to present the U.S. decision to their domestic electorates as a major diplomatic and political achievement, leaving aside for the time being both the problems which could still stem from a partly divided U.S. Administration and the difficulties of achieving substantive progress once talks with the Russians actually begin.

Mr. Haig chose what is termed here as a "super-restricted" session of the NATO Council to inform his 14 Foreign Minister colleagues of the U.S. decision.

Ministers were told that preliminary contacts had begun with Moscow on arms talks, and that European-based nuclear weapons had been a key subject in a personal letter recently by President Ronald Reagan to President Leonid Brezhnev of the Soviet Union.

Mr. Haig emphasised yesterday that the decision to open arms negotiations did not mean any lesser U.S. commitment to pursue modernisation of NATO's European nuclear forces.

In what has been characterised as a "dual-track" decision, NATO members agreed in December, 1979, to deploy nearly 600 American-owned and operated Cruise and Pershing 2 missiles in Europe from 1983, to counter the Soviet SS20 missiles already deployed by the Warsaw Pact.

At the same time it was

Continued on Back Page

U.S. banks raise prime lending rate 1 per cent

By Ian Hargreaves in New York

MOST LARGE U.S. banks yesterday raised their prime lending rates from 18 per cent to 19 per cent in response to soaring interest rates in the credit markets.

This surge in U.S. borrowing costs drove the dollar sharply higher against European currencies and sparked another large sell-off in the New York stock markets.

Foreign exchange dealers said the pace of business was remarkably brisk, given the holiday in London, and by early afternoon the dollar had risen to DM 2.2430, up from DM 2.2100 on Friday. Sterling weakened to $2.1185, from $2.144 on Friday.

The spur to all these developments was the publication late on Friday of an unexpectedly large rise in M1B money supply, the most watched measure of money supply, for the week ending April 22. The $4.2bn increase contrasted with Wall Street forecasts of no change or a small decline.

With M1B already close to or exceeding the Federal Reserve's long-range growth targets, depending on the definition of the periods involved, Wall Street is deeply fearful that the Fed will be forced to continue tightening the screws on the credit markets.

In twilight trading on Friday bond prices slumped and short interest rates rose. That trend was maintained in the market yesterday, leaving the banks with little option but to raise their prime rates.

Morgan Guaranty was the first, but was quickly followed by Citibank, Chase Manhattan, Bank of America, Chemical Bank, and just about every other large bank in the country.

But with three-month certificates of deposit trading at 17.80 per cent late yesterday, further increases in the prime cannot be ruled out, even though many economists feel the market is over-reacting to Fed behaviour.

The market's problem is that it is unsure how much weight to place on movements in Federal funds — its traditional barometer—and how much on more complicated calculations about the level of bank reserves. Funds traded as high as 20 per cent again yesterday.

Some economists believe that, perhaps to an extent in response to monetarist zeal in

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£ in New York

	May 1	Previous
Spot	$2.1440-1460	$2.1355-65
1 month	0.91-0.95 pm	1.00-1.07 pm
3 months	2.68-2.75 pm	2.50-2.60 pm
12 months	7.90-8.10 pm	7.80-8.00 pm

Business survey optimistic over economic outlook

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITISH BUSINESSMEN are increasingly confident that the recession has flattened out but they do not detect any signs of recovery.

The Financial Times monthly survey of business opinion published this morning reports a decrease in gloom and an optimism since the beginning of this year.

Confidence about the economic outlook is at the highest level since mid-1979. Stocks have been successfully reduced and order books are expected to improve during the summer.

Similarly, the quarterly survey of the Manchester Chamber of Commerce and Industry shows a distinct improvement in the trend of home deliveries and orders in the last three months. There has been an increase in confidence about turnover and profits over the next year.

These two surveys, together with last Tuesday's Confederation of British Industry quarterly inquiry, suggest that activity has stabilised across a wide range of manufacturing industry. There are, however, large variations between individual sectors and companies and output remains at a very low level.

The Manchester Chamber, whose survey covered 130 companies in the north west, is apprehensive that "uncertain signs of possible economic recovery will be aborted as the effects of the Budget work through the local economy."

The Budget has not, so far, dampened the revival in confidence since the CBI and FT surveys were made after tax increases were announced.

The latest surveys provide no firm evidence either way about whether output will recover or remain flat for most of the rest of the year. If anything, the replies suggest that any upturn may be hesitant. Several leading economic forecasters believe consumer demand could be weak in response to the Budget tax increases, while exports may be sluggish at best.

The export outlook is one of the main uncertainties. The CBI survey pointed, rather surprisingly, to an improvement in optimism about export prospects. The FT survey suggests only a stabilisation of confidence though the engineering sector is more optimistic than last December.

Among other points, the FT survey confirms that stocks of raw materials and of finished goods have successfully been reduced from previous excess levels. Hence destocking may be on a smaller scale than before.

Details, Page 22; Brokers cautious, Page 6; Skilled labour shortage, Page 6.

Engineering hopes raised

BY ALAN PIKE

A WEAK recovery in prospects for mechanical engineering, with a 5 per cent improvement in orders next year, is forecast in the industry's latest short-terms trends survey published today.

The report, prepared by a working party of Government, employer and union representatives, gives general confirmation to last week's Confederation of British Industry short-term trends survey, which sugested that the recession was flattening out in many areas of manufacturing industry.

If anything, the engineering survey expects investment to pick up more quickly.

The engineering industry tends leave no doubt that a recovery in performance will be slow, gradual and patchy.

The report suggests that the low point of the recession may have been reflected in orders for the first quarter of this year, but little improvement is expected to show before 1982. The forecast 5 per cent increase next year compares with a 15 per cent fall between 1980 and 1981.

Improvement depends on the home market, which has suffered more severely than exports, picking up, with little prospect of an immediate change in level of overseas business.

Employment in mechanical engineering has suffered severely during the recession, and the report presents further gloomy predictions. If, as appears likely, the October-January trends continue to the New Year, 100,000 more jobs will be lost.

This takes account of the fact that at least 68,000 jobs in the industry are supported by the Government's short-time working compensation scheme. The report says that "the survival of many of these jobs must now be questionable."

Details Page 6

Spanish general and two civil guards assassinated

BY ROBERT GRAHAM IN MADRID

A SPANISH general and two members of the para-military Guardia Civil were assassinated yesterday in two separate but apparently co-ordinated attacks in Barcelona and Madrid.

Police said the killings were the work of Grapo (First of October Anti-Fascist Resistance Group), a shadowy terrorist organisation which has regularly appeared at times of high tension.

Yesterday's attacks came at a critical moment for the military as investigators probe the abortive coup of February 23.

General Andres Gonzales de Suso was killed in Madrid at 9.30 a.m. as he was getting into his official car outside his home.

Two youths shot him at close range. The General had no bodyguard.

The attackers were surprised by a police car and there was a gun battle in which both attackers were wounded and one policeman killed. Four bystanders were also injured.

One of the terrorists took refuge in a garage where he was captupred after a further shoot-out.

The other manager to escape into a nearby entrance of the Madrid Metro and police mounted a search which caused chaos among travellers in the morning rush hour. Late yesterday police were still searching for the missing man.

In Barcelona, at about the same time, two youths walked into a bar and shot two Guardia Civil who had just come off duty.

Grapo emerged on October 1, 1975, killing four policemen on the day Franco gave his last political rally. Since then several terrorist actions have been carried out in the organisation's name, including the assassination of four generals.

Grapo's actions have often been ambiguous, directed against military figures and members of the judiciary and prison service with known liberal or democratic views.

General Suso is identified with General Gutierrez Mellado who has been responsible for trying to reform the armed forces in the wake of General Franco's death. He is heartily disliked by the extreme right.

Government weighs ICL's fate

BY GUY DE JONQUIERES

A MINISTERIAL committee is expected to meet this week to decide whether to inject new top management into ICL, Britain's beleaguered large computer manufacturer, in a fresh attempt to secure the company's recovery.

But Minrsters recognise that, if they endorse such a move, they must expect to face demands from the new management team later this year for additional government support as part of the strategy for restoring the company to profitability.

Two senior managers with successful track records in the computer and electronics industry, both working for large British companies, have already been lined up by the Government to succeed Mr. Philip Chappell, ICL's chairman, and Dr. Chris Wilson, the managing director.

The two men's identities have not been disclosed but they would be able to take up their new positions swiftly. The Government is believed to have insisted on the right to make management changes in exchange for granting ICL a £200m loan guarantee earlier this year.

Mr. Kenneth Baker, Minister for Information Technology at the Industry Department, is understood to be strongly in favour of a management change as the best short-term solution to ICL's problems. Sir Keith Joseph, the Industry Secretary, is thought to be less enthusiastic but prepared to support the idea.

The main stumbling block is likely to be the Treasury, whose ministers will not welcome the prospect of further cash demands from ICL so soon after their reluctant agreement to the £200m loan guarantee.

But the scheme's backers are expected to argue that failure to support the company now could invite a distress sale to a foreign bidder. That could lead to huge redundancies among ICL's UK workforce of 22,000 and a big increase in the cost of unemployment benefits.

They are counting on support from MPs with ICL plants in their constituencies. The Association of Scientific, Tech-

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Honda franchise holders face threats in motor-cycle sales war

BY JOHN GRIFFITHS

Pirate motorcycle sellers are waging war against those who are defending their legitimate franchises.

TOM LOUGHRIDGE owns one of the largest franchised motorcycle dealerships in the Wirrall area of Merseyside. He is also a keen dressage enthusiast, besotted with his horse, Toby. He picked up the phone recently to be told: "Your . . . . horse won't go very well if we shoot its eyes out."

The threat to Mr. Loughridge was not the first. Twice the windows of his premises at Heswell, one of the Wirral's most salubrious towns, have been smashed and his waste oil tank overturned.

Nor is Mr. Loughridge the only victim. Cyril Kenny, another dealer—now out of business, for reasons described later—has had his premises damaged, and others have had theirs vandalised.

Mike Weston, who runs the biggest dealership in Birkenhead, had £3,000 worth of damage done to his Rolls-Royce when each body panel was hammered in. Mr. Kenny was threatened that he would be "done over." The culprits have not been identified.

The thread linking the threats and attacks is that all the victims are franchised Honda dealers, and all have been vociferous — with the Motor Agents Association and the National Association of Cycle and Motor Cycle Traders — in seeking to get Honda UK, a wholly-owned subsidiary of the Japanese manufacturer, to curb the rapidly growing number of non-franchised dealers in Honda motorcycles.

Honda dominates the powered two-wheeler market in the UK, with 42.3 per cent of last year's 315,600 sales.

Honda, it must be stressed, has no connection with the incidents, nor does it supply the unfranchised dealers — whom those with franchises see as pirates — directly. These receive supplies from a minority of franchised dealers boosting their retail turnover by selling on to the pirates, sometimes on a sale or return basis.

Because the supplying franchised dealers are not readily identifiable, or prepared to say how many are supplied and to whom, neither the NACMCT nor the MAA has a precise idea of how many such outlets exist. The MAA believes there are at least 60, and may be many more.

One franchised dealer who does acknowledge supplying non-franchised outlets claims that the practice is now so widespread "that as much as 20 per cent of Honda sales may be through non-franchised dealers." But the claim is strongly refuted by Honda.

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CONTENTS

U.S. seeks more time to defuse Lebanon tension

BY DAVID LENNON IN TEL AVIV

THE U.S. has asked Israel to allow more time for diplomatic efforts to resolve the crisis over the Syrian missiles in Lebanon. The request was delivered to Jerusalem yesterday amid reports of growing impatience in Israel over the lack of progress in the negotiations.

Israel was clearly leaning towards a military strike against the Sam-6 anti-aircraft missiles in Lebanon as Syria showed no indication of willingness to withdraw them from the Bekaa Valley, despite strenuous diplomatic efforts by Washington.

The Israeli military forces have been on standby since last week and there has been unusually heavy traffic in the north over the weekend.

Israel insists it will not permit the stationing of the missiles in Lebanon, claiming they endanger its security. Jerusalem was disuaded from attacking the missiles batteries last week only by intensive pressure from the Americans.

The Syrians moved the missiles into the Bekaa Valley last Wednesday after Israeli warplanes shot down two Syrian helicopters participating in an attack on Lebanese Phalangist positions on the mountains beside the embattled town on Zhale.

Mr. Samuel Lewis, the U.S. ambassador in Tel Aviv, yesterday delivered a message from President Ronald Reagan to Mr Menahem Begin, the Prime Minister, at his office in Jerusalem. The American President asked Israel to grant more time for the diplomatic efforts by the U.S., to persuade Syria to withdraw the missiles.

Mr. Menahem Begin: urged to have patience

The Americans agreed in principle that the missiles should be withdrawn from Lebanon, but clearly are anxious to see this achieved without a major clash between Israel and Syria.

Anthony McDermott adds from Beirut: Mr. Abdel-Halim Khaddam, Syria's Foreign Minister, returned here yesterday to resume talks aimed at producing local political agreement between Christian and Moslem factions and heading off the possibility of war with Israel.

It is hard to predict the outcome of these talks. If precedents are any guide, the fact that Mr. Khaddam has arrived with a Syrian position paper to be matched aagainst a Lebanese equivalent, suggests that some sort of a holding agreement will be produced.

But the eseential elements in the ension here remain unchanged. The Right-wing Christian Phalangists have been embarrassed by Israel's statement of direct support. At the same time, they are reulctant to bow to Syrian demands that they should pubcilcly renounce these links. The Phalangists are keen also to obtain guarantees from the Syrians that they will not assault them, as they did in Zahle, and a commitment to reduce their presence in the hills Sanin.

Beirut Airport which remains closed was hit by one shell yesterday—a reminder by the Phalangists that they regard the question of whether the airport is open or clsoed as an important bargaining point with the Syrians. There was also sporadic shooting across the "green line" dividing West and East Beirut on Sunday night and yesterday morning.

Bonn rejects Begin's onslaught

BY JONATHAN CARR IN BONN

WEST GERMAN-Israeli relations have plunged following an attack on Chancellor Helmut Schmidt by Mr. Menahem Begin, the Israeli Prime Minister.

The Bonn Government and opposition yesterday reacted with astonishment and anger to Mr. Begin's remarks, made on Sunday three days after Herr Schmidt's return from a visit to Saudi Arabia.

Mr. Begin suggested that the Chancellor must have been doing such lucrative oil and weapons business with the Saudis that his memory for Jewish history had been affected.

The Government spokesman in Bonn issued a statement describing Mr. Begin's comments as "misleading and offensive." He said they were only comprehensive against the background of the Israeli election campaign.

Two issues have brought relations to their new low point: the possible delivery of German Leopard-2 tanks to Saudi Arabia and comments by Herr Schmidt on the Palestinians both during and after his trip to the Gulf.

In both Riyadh and the United Arab Emirates, Herr Schmidt stressed the right of the Palestinians to self-determination and that of Israel to secure and recognise frontiers.

David Lennon in Tel Aviv writes: Israel is considering sending an official protest to Bonn over Chancellor Schmidt's statement on his country's "moral commitment" to the Palestinians.

This follows the attack in which Mr. Begin called Herr Schmidt a hypocrite and accused him of greed.

Mr. Begin added: "It is sheer arrogance and impudence to tell members of my generation—the generation of the holocaust and of the Jewish rebirth — thnt Germany has a debt to the Arabs."

He noted that anti-Semites had always "persecuted the Jews for their love of lucre." But, he added: "If you want to see unbridled greed and avarice, go see Giscard d'Estaing of France and Helmut Schmidt of Germany."

Sprinkel explains new dollar policy

BY DAVID BUCHAN IN WASHINGTON

THE REAGAN Administration has put part of its policy of intervening less on the currency markets into practice by scaling back its purchases of foreign currencies since mid-February while the dollar has been strong, a senior Treasury official told Congress yesterday.

In the first detailed exposition of the Administration's new dollar policy, Mr. Beryl Sprinkel, Under-Secretary for Monetary Affairs, said the U.S. would return to a pre-1978 policy of intervening in the exchange markets only "to counter conditions of disorder." But, as in the past, "we will not attempt to define disorderly market conditions in advance," he said.

Mr. Sprinkel's testimony to Congress's joint economic committee included a 25-page paper on intervention policy, which is the joint responsibility of the Treasury and the Federal Reserve Board.

Mr. Sprinkel made it clear that the Administration's statement of intent last month to conduct a more relaxed intervention policy had already had an effect in practice. It had been pointed out that when the Administration said it would only intervene to bolster the dollar in emergencies—such as $79m worth of support on March 30, the day President Reagan was shot—it had, in fact, had little cause to act because the dollar had been strong.

Thus, the new policy which stems from the Administration's free market approach was seen as largely untested. But Mr. Sprinkel said yesterday that the Administration was already acting to reduce foreign currency purchases from levels during the Carter Administration.

The Reagan Administration had departed from President Carter's policy by which periods of dollar strength were used not only to cover earlier foreign currency liabilities, but also to build up an intervention war-chest.

Mr. Sprinkel forecast that the U.S. current account might move toward a deficit this year or next, having been modestly in surplus in recent quarters. Part of the reason for this was the recent appreciation in the dollar's international value, blunting the competitive edge of U.S. goods abroad. The March trade deficit of $451m was the smallest monthly shortfall for five years, but that was considered a freak performance.

Mr. Sprinkel argued that a current account deficit would not necessarily weaken the dollar provided the deficit was accompanied by a decline in inflation

The new guiding goals of U.S. exchange market policy would be "a return to fundamentals" and sparing use of intervention as "the exception not the rule."

Criticised airline chief to go

Air New Zealand's chief executive, Mr. Morric Davies, is to retire "for the good of the company," Dai Hayward reports from Auckland. Mr. Davies was severely criticised in the report of a royal commission into the 1979 Antarctic air crash involving a DC10 flown by the airline in which 257 people died. Twelve airline staff named by Mr. Justice Mahon in the royal commission report are being transferred.

£5.8bn Saudi surplus

Saudi Arabia expects a surplus of 42bn ryals (£5.8bn) after expenditure of SR 298bn under its new budget, Reuter reports from Jeddah. Crown Prince Fahd was reported as saying after the Cabinet had approved the budget that it stressed productive fields such as agriculture, roads, hospitals and industrial development.

Iranian gas project

Iran plans to spend about Iranian Rials 850bn (£5bn) on a 16-year project to expand its gas network and cut dependence on kerosene as a home heating fuel, the Kayhan daily newspaper said yesterday. Reuter reports from Tehran. Kerosene is rationed to 30 litres a month per household following the destruction of 60 per cent of Iran's oil refining capacity in the early days of the war against Iraq.

Swedish office workers strike

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

SWEDISH OFFICE workers are to stop work at five of the country's biggest industrial concerns and most shipping lines today. Their action will gradually halt production and seriously affect exports.

PTK, the negotiating body for 400,000 white-collar workers in the private sector, yesterday ordered almost 20,000 of its members to strike after rejecting a final pay offer from arbitrators.

The companies to be hit are Volvo, Saab-Scania, L.M. Ericsson, Atlas Copco and Boliden. Volvo said its car production would stop within 24 hours.

The employers are expected to give notice of a lock-out covering some 200,000 staff, to start next week.

Hilary Barnes reports from Copenhagen: Denmark's Social Democratic minority Government yesterday decided to end a strike of slaughterhouse workers which began on April 22 by making an official mediator's proposed settlement legally binding. The legislation was expected to be given all three readings in time for work to be resumed today.

The Government action came after the workers rejected the settlement in a ballot over the weekend although it was recommended by a majority of shop stewards.

Fay Gjester writes from Oslo: A strike of oil and gas workers in Norway's sector of the North Sea seemed imminent yesterday as bargaining between oil companies and the production workers' union neared deadlock. The union, with 2,000 members on the Frigg, Ekofisk and Statfjord fields, is seeking an extra NKr 13,000 (£1,090) a year for each of its members.

Madrid security talks re-open

BY ROBERT GRAHAM IN MADRID

AS THE Conference on Security and Co-operation in Europe (CSCE) opens here today for a third and, almost certainly, final session, there is still no sign of agreement on any of the basic issues that have divided delegates from the 35 East and West European states, plus Canada and the U.S., since the conference started in November.

No time limit has been set on this session but a number of Western delegations are conscious that they cannot justify their presence here indefinitely when so little is being achieved.

Until now, no country has been willing to make a move which could be seen as breaking up the conference. Nobody wants to be held responsible for its failure. This could change, however, if the Reagan Administration, which has never regarded the CSCE process with great enthusiasm, decides that the Madrid meeting is a waste of time with only marginal effect on East-West relations.

The purpose of the conference has been to review the implementation of the 1975 Helsinki final act, which laid the framework for East-West co-operation, and to consider proposals to improve detente.

But there has been little more than a dialogue of the deaf between East and West.

The Nato countries regard the conference as a propaganda exercise which could distort the balance of the CSCE process. They have backed a proposal for a two-stage armament conference linked to the process.

Tanzanian troops start pulling out

BY JOHN WORRALL IN NAIROBI

PRESIDENT Julius Nyerere of Tanzania began pulling his troops out of Uganda this weekend. The remaining 10,000 of the 30,000-strong Tanzanian force which helped Uganda guerrillas overthrow Idi Amin are due to leave Uganda by the end of next month.

The Tanzanians' departure could have a serious effect on Uganda's fragile security which will now be in the hands of the untrained and undisciplined Uganda army and the small police force, many of whose officers are being trained in Britain.

President Obote has made a number of appeals to President Nyerere to delay the troop withdrawal, but Tanzanian officials say it costs $5m (£2.3m) a month to maintain troops in Uganda, which Tanzania cannot afford.

The Tanzanian pull-out comes as rebel dissidents, now trying to overthrow the Obote regime, have formed themselves into one group, the Uganda Freedom Movement, with an organised programme of killings and violence designed to destabilise President Obote's Government.

Bundesbank rebuke for W. German authorities

By Stewart Fleming in Frankfurt

A DISCOURAGING picture of an economy failing to adjust quickly enough to the second oil shock and of a nation still "living beyond its means" emerges from an analysis of the West German economic scene in the 1980 annual report of the Bundesbank, the federal republic's central bank.

A special rebuke is reserved for the federal and regional governments' failure to control public spending. The report says that the Bundesbank's monetary policy cannot offset the negative effects of mistaken fiscal policy decisions.

"What progress the German economy can achieve in the necessary adjustment to the surge in energy prices depends not least on how far it is reinforced by fiscal policy," the bank says. It goes on to point out that the public budget deficit could rise by around DM 10bn to DM 67bn (£14bn) this year.

The bank argues strongly that attempts to stimulate activity through a Government economic programme would only increase the danger of distorting the necessary readjustments. Financing such a programme from foreign borrowing is no solution, it adds. This remark which will be seen as an attack on Chancellor Helmut Schmidt's decision to raise DM 6.3bn jointly with France on international markets to support energy-saving investment.

The bank emphasises the urgency with which readjustment must now be addressed, particularly because of the dangers facing the country as a result of its DM 29bn current account deficit—"the highest of any industrialised country."

It says that delay will lead to increasing economic problems and costs including loss of growth, longer term unemployment, and a deterioration in the terms of trade for goods and services with negative consequences for the nation's living standards.

Alongside Government spending, the Bundesbank points to the energy sector as an area where necessary structural changes are being blocked, pointing out that as a result of administrative obstructions and public protests no nuclear energy plants were started last year and none completed.

Referring to the huge current account deficit, the bank suggests that only half of the deterioration of DM 48bn since 1978 can be traced directly to the rising costs of oil imports. Imports of industrial goods have been growing much faster than exports, including imports of capital goods in branches of industry in which Germany has been historically strong.

Call for U.S. to shift oil research operations to UK

BY RAY DAFTER, ENERGY EDITOR, IN HOUSTON

THE BRITISH Trade Minister last night challenged the American offshore oil supply industry to switch four of its research and development operations to the UK. Mr. Cecil Parkinson also warned U.S. Government agencies not to extend protective legislation that would restrict the UK offshore industry's ability to bid for work in the U.S.

Speaking at the Offshore Technology Conference—the oil industry's biggest annual gathering—Mr. Parkinson said the UK offshore supply industry was offering an industrial blueprint for the country's future. It was a new industry, now with more than 100,000 employees, which was increasingly pushing into overseas high technology markets.

But it was recognised that U.S. oil equipment companies had been a dominant force in establishing the UK as a credible supplier of offshore goods and services. A large proportion of the original technology was American. That was causing some concern in Britain, he said. There should be a greater transfer of research and development capacity into UK subsidiaries to allow them to compete more effectively overseas.

The UK offshore industry has the biggest foreign representation at the Houston Exhibition and Conference which is expected to attract over 80,000 visitors.

Mr. Parkinson said British companies would be looking for contracts on the U.S. East Coast—a new oil exploration area. He said he hoped UK industries would not be precluded from bidding by protectionist measures in the U.S. like the Jones Act covering shipping.

"This is a truly international industry which ought not to be frustrated by the kind of restraints on trade which such laws and regulations impose."

Speaking of Britain's future Mr. Parkinson said the country had to develop new industries, as it had in the offshore supply sector. He also attempted to calm the oil industry's anger over recent North Sea tax increases, a leading topic of discussion in Houston.

It was only reasonable, he said, that the Government should review the taxes in the light of rising prices. It would not have been reasonable to leave oil companies untouched when considerable financial restraints had been imposed on the education, health and social services and housing sectors.

Minister to raise trade issues

BY PAUL CHEESERIGHT

MR. CECIL PARKINSON, the Minister for Trade, tomorrow starts a round of talks with the Reagan Administration and Congressional leaders in Washington. This is the first opportunity the Government has had of raising trade issues with the new Administration.

The talks take place as trade between the two countries is slowing after several years of steady expansion. UK exports to the U.S. in the first two months of this year at £706m were £80m lower than in the same period of 1980. U.S. sales to the UK slipped to £850m from £1.07bn.

But the U.S. remains, after West Germany, the UK's biggest trading partner and commercial relations are generally on an even keel despite specific issues of contention, which Mr. Parkinson will take up with the Administration.

These include the running dispute over the level of U.S. textile sales in the UK, bolstered, in the British view, by what is considered to be the unfair advantage of lower gas prices.

It is doubtful whether Mr. Parkinson will find the U.S. any readier to engage in much more than technical discussions on the pattern of textile trading than EEC emissaries on earlier visits.

Even if it so desired, the Administration is restrained by anti-trust laws from publicly urging the U.S. industry to hold back on sales.

Mr. Parkinson will probe the Administration's thinking on the likely speed of the de-regulation of gas prices, which would help to bring U.S. producer costs more closely in line with those of European producers. Firm commitments from the U.S. side look unlikely.

He is also likely to urge the Administration to speed the granting of licences for goods being exported to Comecon nations where these goods have little strategic significance.

Sales have been held up by the tardiness of the Commerce Department in granting licences for goods from Europe which contain U.S. components. Some of the difficulties in the past have been administrative, U.S. officials have said.

Talks open on world export credit fund

By Brij Khindaria in Geneva

GOVERNMENT experts meet here this week to discuss the feasibility of a new international agreement which would establish an "international export credit guarantee facility."

The facility would enable developing countries to offer medium- and long-term credits in foreign currencies on terms similar to those enjoyed by exporters from the developed world.

Proposals for the fund have been drawn up by officials of the United Nations Conference on Trade and Development (Unctad). They have consulted independent experts and other international agencies like the United Nations Development Programme and the World Bank.

This week's meeting is the first formally to draw in national delegations. But it is clear the proposals are being treated with great caution by industrialised countries which would be the main contributors to the fund's capital base.

The facility would need a total issued capital of $800m (£374m) and initial paid-in capital of $160m to enable it to provide credit guarantees for nearly $4bn of Third World exports.

Unctad in 1979 estimated that $8.4bn worth of Third World export credits would be eligible for guarantees by the facility every year, although it believes it should be expected to handle only half that amount in the early years.

Some Western delegates are also believed to feel that the Unctad proposal would be one-sided and that it should be open to use by smaller exporters from the developed world.

EUROPEAN-TAIWAN EXHIBITION

French connection predominates

BY NICHOLAS COLCHESTER IN TAIPEI

FRENCH COMPANIES predominate at the European Products Exhibition sponsored by the Taiwanese Government which opened in Taipei yesterday.

Despite the lack of diplomatic relations between Taiwan and most Western countries, the Centre Francais du Commerce Exterieure has arranged the state's normal support for participation by French companies at the fair. As a result, 83 French companies are exhibiting, representing more than one quarter of the exhibition.

In contrast, British industry has received no Government encouragement for political reasons and is represented by only 18 companies, despite the fact that the UK's share of Taiwan's European imports is, at 15.4 per cent, twice that of France.

British exhibitors say that their presence is largely the result of the financial support for the exhibition by the Taiwanese Government. Taiwan is providing their display space at the Taipei World Trade Centre and is also paying the freight and insurance costs inside Taiwan of each exhibitor's equipment.

The Taiwan Board of Foreign Trade (BOFT) is meeting the $8m cost of the exhibition in its effort to establish Taiwan's image as a potential export customer for European companies, rather than just as a source of uncomfortable competitive imports into the European market.

Mr. H. K. Shao, Director General of the BOFT, claimed yesterday that Taiwan was making "maximum efforts" to reduce the disequilibrium in trade between Taiwan and Europe. Last year $3.12bn of Taiwanese exports to Europe eclipsed $1.87bn of imports.

Taiwan is anxious to diversify its trade links away from its traditional alliance with Japan and the U.S. It is hindered by Taiwan's unrecognised status in many countries, coupled with resistance to Taiwanese imports. Taiwan itself imposes subsidised import tariffs which make its case as an interesting trading partner that much harder to sell.

Taiwanese Government officials are using the occasion of the fair to remind European industry that Taiwan now has a share of world trade which slightly exceeds that of mainland China and that Taiwan's imports from Europe last year of $1.87bn are not negligible when compared with the $2.87bn in European goods imported by mainland China.

EEC seeks Japan car assurance

BY OUR WORLD TRADE STAFF

THE EEC Commission has asked for immediate clarification of Japan's agreement to hold back motor exports to the U.S. for a period of three years.

It has made it clear that it expects Japan to ensure that there will be no extra pressure on the European market as a result of the agreement.

The Japanese Government, for its part, is urging manufacturers to show "moderation" in their approach to the EEC market, the Commission said yesterday.

The U.S. and Japan agreed at the end of last week that Japan should hold car sales in the U.S. to 1.68m units during the year to next March. This compared with sales of 1.82m in 1980.

The European response, details of which will become clearer after the Commission meets tomorrow, reflects the general fear that cars destined for the U.S. market will be sold elsewhere.

Canada has taken a more immediately stringent attitude. Mr. Herb Gray, the Minister of Industry, told the Japanese Government over the weekend that it wants an agreement similar to that worked out with the U.S.

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JAPANESE MOTOR EXPORTS — March 1981

Category	Units	% change on March 1980
Cars	334,720	− 4
Trucks	193,207	+33.1
Buses	8,484	+66.3
Main Destinations		
U.S.	171,363	−26.4
EEC	75,637	−10.8
Middle East	40,286	−16.7
South East Asia	62,752	+42
Africa	50,809	+82.5
South Africa	25,034	+93.1
TOTAL	536,411	+ 1.6

Source: Japan Automobile Manufacturers Association.

SHIPPING REPORT

Dry cargo may be hit by U.S. grain move

By Our Shipping Correspondent

THE LIFTING of the U.S. embargo on grain sales to the USSR made little impression on the dry cargo market. However, brokers believe that the action could weaken the market over the longer term.

Matheson Chartering, in its latest monthly report, says that the removal of the embargo will allow the USSR to maintain a major import programme while simultaneously shortening their lines of communication. They will be less reliant on grain exports from places such as Argentina.

The combination of shorter hauls for Soviet grain imports plus less congestion at the more efficient U.S. grain terminals will mean that fewer ships will be needed for the Soviet grain traffic. The inefficiencies in the seaborne grain trade resulting from the U.S. embargo over the last 16 months have been an important factor underpinning freight rates in the dry cargo markets.

Another major factor has been the congestion at U.S. east coast coal ports arising from the sharp increase in U.S. coal exports. The delays in settling the U.S. miners' strike have led to a significant reduction in the number of ships waiting for cargoes.

In common with the lifting of the grain embargo, the reduction in congestion at U.S. coal ports is swelling the supply of ships and this will put pressure on rates. Of course, the size of the Soviet grain harvest will be a critical factor in determining the level of grain traffic and hence freight rates, but on balance Matheson Chartering concludes that it could be a difficult summer for owners.

World Economic Indicators

UNEMPLOYMENT

		Apr. '81	Mar. '81	Feb. '81	Apr. '80
UK	000s	2,518.0	2,484.7	2,463.3	1,522.9
	%	10.4	10.3	10.2	6.3
		Mar. '81	Feb. '81	Jan. '81	Mar. '80
W. Germany	000s	1,210.1	1,299.9	1,308.6	875.9
	%	4.7	5.0	5.1	3.4
France	000s	1,657.2	1,667.7	1,680.3	1,412.3
	%	7.4	7.4	7.5	6.3
Italy	000s	1,930.4	1,948.8	1,934.2	1,811.4
	%	8.8	8.9	8.8	8.2
Netherlands	000s	343.9	346.7	342.8	210.5
	%	6.7	6.8	6.7	4.1
Belgium	000s	424.9	427.2	429.5	344.0
	%	10.5	10.6	10.6	8.5
USA	000s	7,764.0	7,754.0	7,847.0	6,543.0
	%	7.3	7.3	7.4	6.3
		Feb. '81	Jan. '81	Dec. '80	Feb. '80
Japan	000s	1,350.0	1,230.0	1,180.0	1,110.0
	%	2.2	2.2	2.2	1.8

Source: (except UK, U.S., Japan) Eurostat

Deadlock in Switzerland's uranium row

By Victor Mackie in Ottawa

SWITZERLAND'S Foreign Minister, M. Pierre Aubert, has failed to achieve a breakthrough in the dispute over Canada's embargo on uranium shipments to Switzerland. He has just completed a round of talks in Ottawa.

Mr. Mark MacGuigan, Canada's External Affairs Minister, said his country will not sign a new nuclear co-operation agreement with Switzerland unless it accepts the Federal Government's safeguards against using Canadian uranium for military purposes.

M. Aubert said that discussions among Swiss and Canadian nuclear experts were positive, but he acknowledged that the two countries failed to sign a draft agreement.

A Swiss uranium expert indicated that Switzerland is unlikely to make concessions to meet the Canadian requirements.

UK NEWS

Capital value might become domestic rating basis

BY ROBIN PAULEY

THE GOVERNMENT is considering basing domestic rating on a property's capital value rather than, as at present, on the notional rent a property is judged to be worth.

The Government is convinced the rating system cannot continue unaltered. Mounting pressure from commercial and industrial ratepayers has forced Ministers to consider ways of limiting the amount by which business rates can be increased each year.

As part of the same review officials are examining schemes for domestic rates—a political issue which annually causes the Government embarrassment.

One problem with curbing industrial rate rises is the implication for domestic rate bills if councils try to use them to recoup the lost income. One solution to that would be to limit also the amount by which domestic rates can rise.

This is still a possibility, it is understood. However, such a measure would mean an end to local authority autonomy, leaving councils as mere agents of central government.

Ministers are unsure of public opinion's reaction to this although the Treasury is arguing the case strongly.

Alternatively, the Government is considering basing the rates each year on the capital value of property. This would eliminate many unfair aspects of basing rates on out-of-date figures related to a calculation of how much rent a property would produce.

As more people buy their own homes, and, in particular, with council housing being sold, the arguments for capital valuation have become stronger.

About 55 per cent of homes in England are owner-occupied and are sold once every 14 years on average.

The basis of rate calculations would either be notional capital values, or, more realistically, actual sale prices based only on freehold (which would require the conversion of leasehold sale prices to freehold).

For rented property the assessment would have to be on the value of the vacant-possession valuation. Ideally, revaluations would be needed every year.

One disadvantage of the system would be to produce rate bills which while fairer would be much larger than now for the owners of higher-valued properties.

This is likely to be a particular problem in London where ratepayers are reacting against the size of their annual bills, often in excess of £1,000.

Apparently the Government is considering a temporary solution by increasing the level of subsidy it pays to domestic ratepayers.

In England this is 18.5p in the pound, except for a few London boroughs. The subsidy in Wales is 36p in the pound.

Until now the Government has tried to reduce the real effect of the subsidy by not increasing it in line with inflation. The subsidy has been much criticised for cushioning ratepayers from the true effects of their councils' spending decisions.

Increasing the subsidy would be a policy reversal but would protect many people from big rate bill changes.

Labour plans local enterprise boards

BY GARETH GRIFFITHS

LABOUR GROUPS on the Greater London Council, Merseyside, Greater Manchester and West Midlands metropolitan county councils plan to start local enterprise boards with several hundred million-pound investment budgets financed by a 2p rate precept and their employees' pension funds, if they win control of the authorities in the local government elections on Thursday.

Such schemes were proposed in the TUC-backed minority report from the Wilson Committee on City institutions. They are likely to meet strong opposition from pension fund managers, who view the pension part of the idea as smacking of "selfinvestment."

Local authority pension funds are worth an estimated £8bn, with investment in UK equities, fixed assets, property, and increasingly overseas.

Labour's GLC manifesto envisages a Greater London enterprise board with investment income next year of £70m; £102m in 1983-84; and £115m in 1984-85.

A sum of £30m a year would be found by a 2p rate precept under Section 137 of the 1972 Local Government Act, which allows councils money for activities not otherwise covered by statutory obligations.

An inner urban area precept would raise £30m next year and £50m a year for the next two years. The GLC superannuation fund contribution would rise from £10m in 1982-83 to £20m the following year and £30m in 1984-85.

The pension fund involvement is likely to cause most controversy.

Mr. Michael Ward, Labour GLC candidate for Wood Green and main author of the proposals, believes that voluntary agreement of pension fund trustees will be won because a prosperous industrial base for London is in the interests of GLC employees.

The risk involved in loans by the enterprise board would be borne by the ratepayers.

The GLC pension fund was worth £365m last year, with investment income of £32m and contributions of £43m.

Greater Manchester's pension fund was worth £300m with £24.5m and £44m contributions; Merseyside £166m with £13m investment income and £26m contributions; and West Midlands £250m with £25m investment income and £41m contributions.

Merseyside Labour group proposes a scheme with £10m a year funded under the same formula as the GLC Labour one.

Greater Manchester goes a stage further and suggests municipal inflation linked "granny bonds" to pay for council industrial investment.

The one county that tried to implement "pension fund socialism" found the experiment disappointing. South Yorkshire earmarked £2m of pension fund in an industrial regeneration plan in 1978, but only three companies have taken up the offer.

South Yorkshire criteria are tougher than those envisaged elsewhere. Applicants must prove minimum pre-tax annual profits of £50,000.

Far Left may pose new problems for Foot at party conference

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

MR. MICHAEL FOOT, the Labour leader, faces new troubles at this year's party conference. The far Left is to step up its campaign to end the parliamentary leadership veto on the contents of the party manifesto.

Thanks to a little noticed organisational slip-up by moderates at the recent conference of the Association of Professional, Executive, Clerical and Computer Staff, the Left believes it has a good chance of winning.

A far Left victory over who controls the manifesto would be a serious blow to Mr. Foot's hopes of stopping other Labour MPs following the Social Democrats out of the party. If the manifesto was written by the Left-dominated National Executive, it could contain policies which moderate MPs would feel unable to campaign for.

The Left has long regarded the question of the manifesto as fundamental to its campaign to increase rank and file influence. It was the one major constitutional issue which the far Left lost last year and there was some disagreement on the Left as to whether the issue should be revived this year.

At the weekend, the far Left Campaign for Labour Party Democracy circulated its members with details of a resolution which would give the final say on the contents of the manifesto to the national executive.

Even before this resolution was circulated, the far Left's campaign had received an unexpected boost from the Right-wing union Apex. At the Apex conference the union backed Mr. Denis Healey, an Apex member, for the deputy leadership. It rejected the idea of an electoral college which would have favoured the Left in favour of one dominated by MPs as Mr. Foot wants. But, contained in the same resolution was a clause supporting the idea of giving the final say on the manifesto to the national executive.

Moderates within the union appear not to have noticed what was going on until the resolution had been passed. Now, they may argue that the wording is sufficiently impressive for it not to be binding on their delegates at the annual Labour Party conference.

Farmers seek relief after freak weather

BY RICHARD MOONEY

MR. PETER Walker, the Minister of Agriculture, is expected to meet farmers' leaders this week to discuss what action if any can be taken to relieve the plight of farmers who lost livestock and crops as a result of last month's freak weather.

Unseasonable falls of snow led to heavy losses of newborn lambs and an estimated 30,000 acres of crops in the Eastern Counties were flooded after the thaw. The National Farmers' Union has put the total damage cost at between £4m and £5m.

But Mr. Walker, who has agreed to meet union leaders in response to a letter they sent last week, is not expected to be over-generous in any offer of relief. He told a press conference last week that adverse weather conditions were "part of the agricultural scene."

The union says the aftermath of the snow and flooding constitutes an outright disaster for some farmers, particularly in Lincolnshore, the worst-hit county. Lamb losses cannot be replaced and by the time flooded fields have dried out it could be too late to resow crops.

"Many farmers have seen all their crop area flooded and their income for the year lost," said Mr. Alan Jackson, deputy president of the NFU, after an aerial tour of flooded Lincolnshire farms.

Sir Henry Plumb, chairman of the European Parliament's agricultural committee and a former chairman of the NFU, is seeking Commission help for weather-hit farmers.

Basis of grants condemned

Financial Times Reporter

THE GOVERNMENT's grant-related expenditure assessments, the basis of the grant funding for local authorities, are described today as arbitrary, defective and frequently implausible by the Association of Metropolitan Authorities.

The Labour-controlled association says it will campaign for the GRE assessments to be altered and that the 48 factors used to build up the assessments lead to a series of anomalies.

A paper published this morning by the association shows that the GRE scheme has led to Cornwall receiving money for a concessionary fare system for old age pensioners when the county council does not operate any such scheme.

Report calls for new panel to protect accounting standards

BY ANDREW FISHER

NO ONE COULD accuse the Accounting Standards Committee of ignoring the obvious. "Accounting standards are necessary," says the committee in a report on its own activities published today. And, it adds, they will continue to be necessary to complement the law.

Moreover, concludes, the ASC, "if there are to be accounting standards it is naturally important that there should be a high degree of compliance with them." The ASC also feels non-accountants should have a say in how standards are set, since these are meant to help a wide variety of users.

The ASC report, Setting Accounting Standards, fills out its self-evident statements with firm recommendations, the main one being that a panel should be set up with the Stock Exchange to review cases of non-compliance with standards.

The Stock Exchange's Council has approved the idea in principle; the ASC strongly recommends that the Council for the Securities Industry and the leading accountancy bodies do the same.

"The touchstone of private sector regulation lies in the degree of compliance: if there is not a high degree of compliance, then the State must step in."

Compliance with accounting standards has been reasonably good, says the ASC. But as their subject matter becomes harder to digest, "there is further possibility of conflicts between the needs of users and the desires of some preparers."

Thus the ASC warns: "There is a danger that a qualified audit report could become less and less of a deterrent unless accompanied by the prospect of further action."

Companies' accounts contain a qualifying statement by the auditors if they feel that something unusual or disturbing needs to be brought to the reader's attention.

Since accountancy is privately regulated in the UK, the ASC favours inquiry "by a supervisory body of undoubted standing in the community" instead of direct public enforcement, as practised in the U.S.

Cases for the panel would be referred by the Stock Exchange, by an accounting body's own disciplinary committee or by the general public.

If the panel decided that non-compliance with one of the Statements of Standard Accounting Practice (SSAPs) was not justified, the case would be referred to the Stock Exchange "for appropriate action."

If, however, it felt the text of the SSAP should be examined, this would become a matter for the ASC. The panel would have seven members, appointed by the Council for the Securities Industry, the Consultative Committee of Accountancy Bodies, and the Stock Exchange for three years.

The CCAB is non-committal about the ASC's proposal to set up a panel. Commenting on the ASC report, it accepts the need to improve present means of monitoring non-compliance with accounting standards.

It adds, though: "The wider implications of the proposals in the report need further discussion."

The CCAB also says the ASC should "give early consideration" to its proposal to reduce its size—it now has 23 members—while at the same time opening it up to non-accountants.

The ASC argues strongly that its own work should be continued. "There is a continuing need for mandatory standards and they should continue to be set in the private sector." Following from this, it is important "that the standards shall be seen to be set in the public interest after wide and open consultation and debate."

The ASC describes SSAP 16, which covers current cost accounting, as "the beginning of an evolution; merely the beginning, not the end of the story." In this field, it is certain that "the standards setters have no foreseeable prospect of folding their tents and stealing silently away."

Current and futures projects for the ASC include foreign currency translation, goodwill, leasing, merger accounting, pension costs in accounts, pension fund accounts, accounting principles for so-called "value" companies (like investment companies), related party transactions, segment reporting, and simplified financial statements.

The ASC reckons it will need more money, eventually around £400,000 a year, for all of this. The CCAB has raised the ASC's 1981 budget from £200,000 to £263,000. Provision of more money, the CCAB says, "should be subject to the usual budgetary scrutiny and to approval by each of the bodies."

Setting Accounting Standards, the Publications Department, Chartered Accountants' Hall, Moorgate Place, London EC2P 2BJ, £2.50.

'Private home starts up 25% in first quarter'

BY WILLIAM COCHRANE

NEW PRIVATE housing starts have risen by 25 per cent in the first four months of this year says the National House Building Council, the consumer watchdog body representing groups with interests in private house-building.

The council reports that applications for inspection will total about 37,000 for January-April 1981. By contrast, completions for the first four months will be about 32,000. The council notes this figure is 20 per cent below completions for the same period last year and reflects the small number of starts in 1980.

"We expect some modest improvement to continue unless there is some unexpected catastrophe such as an increase in the mortgage rate," says Mr. Andrew Tait, council director.

He says: "Completions will not rise because there are too few houses in the pipeline."

Cammell Laird in drive for orders

Financial Times Reporter

A DRAMATIC improvement in labour relations has encouraged Cammell Laird Shipbuilders of Birkenhead to launch a major drive for orders, it says.

The need for orders is urgent. By next month the company will not have enough work for all its 3,350 hourly-paid and staff workers.

That situation exists even though strikes have been all but eliminated at the 152-year-old yard on the Mersey.

In 1976 7.8 per cent of man-hours were lost through strikes. Last year the figure was 0.5 per cent, largely the result of the one-day national token stoppage as part of the TUC's day of protest against the Government.

Mr. Alastair Lambie, the managing director, said the yard was particularly keen to build "semi-submersible" rigs for the offshore oil industry. It has sought several such orders, and been short-listed for three. The rigs are worth £30m-£40m each.

In 1978 a £32m reconstruction scheme, including an all-enclosed vessel construction hall, was completed at the yard. It is geared to cope with the techniques needed on these advanced oil rigs.

Cammell Laird has recently acquired use of three dry docks from a neighbouring ship-repair yard which closed. It can employ these for fitting-out work.

With the new facilities Cammell Laird has been able to keep a year ahead of programme with the Liverpool, a Type 42 destroyer, being built for the Royal Navy.

The yard has not benefited from the speedy success with the Liverpool as much as trade unionists and management hoped. The order book is thin.

In addition to the Liverpool, the yard is building the Edinburgh. This enlarged Type 42 warship should be launched next year.

Mr. Lambie is optimistic. He said: "We have built 1,375 ships here since 1828.

"Now our best hope is in the oil rig market, and we have two first-class Norwegian designs for the sort of submersible craft we want to build here."

Why Canadian group wants to reopen Bowater mill

William Hall looks at Consolidated Bathurst's Ellesmere Port plans

THE NEWS that Consolidated Bathurst may reopen Bowater's old Ellesmere Port newsprint mill has caused almost as much surprise in the paper industry as its plans for a £100m newsprint mill at Fort William last year.

The Fort William project came to nothing, and there are plenty of people in the industry who believe that this will suffer a similar fate. Consolidated Bathurst must make up its mind before the end of June, or Bowater will sell the machinery for scrap.

Bowater and Reed, the two domestic newsprint producers, have closed three-quarters of their UK newsprint capacity in the last year. There is a good chance that they will pull out of UK newsprint production altogether at some stage and supply the British market from their own North American mills.

British wood costs twice as much as in eastern Canada. Newsprint is very energy intensive and electricity costs three times as much. The two companies say that given this cost disadvantage they cannot compete with the big integrated newsprint mills of Scandinavia and North America.

As they own newsprint mills in North America, their arguments can be taken seriously.

Consolidated Bathurst's proposal also has to be taken seriously. It is probably the largest Canadian supplier of newsprint to the UK.

It has done considerable homework on the economics of UK newsprint production as part of its study last year into the aborted Fort William project.

Whereas the Fort William venture would have relied on domestic timber, Consolidated Bathurst's latest proposal assumes that 65 per cent of the pulp will be imported from Canada and the balance supplied by waste paper.

The key to the project is Consolidated Bathurst's old kraft pulp mill at Bathurst, New Brunswick. It is not very profitable, and there are doubts about its long-term viability because of its limited wood resources.

The plan is to convert the mill to thermo-mechanical pulp production, enabling it to produce twice as much pulp from the same quantity of wood.

The Bathurst mill is next to the sea, and the plan is to take the pulp by ship to Bowater's jetty at Ellesmere Port, taking advantage of Canada's much lower production costs.

Most newsprint is produced by integrated mills which enjoy economies of scale because they process the timber through to the final product on one site.

Consolidated Bathurst's planned venture at Ellesmere Port would be a non-integrated operation and consequently less efficient than an integrated newsprint mill.

This raises the question of why Consolidated Bathurst should want to produce newsprint in the UK rather than import it from Canada, which it can do more cheaply.

Mr. Michael Pelham, managing director of Consolidated Bathurst's UK sales operation, says there are strategic reasons.

Several factors appear to have influenced Consolidated's decision to take a 60-day option on the Bowater mill.

The first is that there are three relatively cheap newsprint machines capable, with some investment, of producing over 200,000 tonnes of newsprint a year.

Though Bowater has given no indication of the price tag on these machines, it will be a fraction of the cost of putting down new newsprint capacity.

The 150,000-tonne-a-year mill envisaged for Fort William would have cost £100m. By utilising Bowater's old machinery Consolidated Bathurst would be able to increase its newsprint capacity by more than a fifth relatively cheaply.

The second factor, which could prove important in the longer term, is that the acquisition of the Ellesmere Port works would give Consolidated Bathurst access to production capacity in the European Community.

This might be important after January 1 1984. By then the Scandinavian producers will have duty-free access to the EEC market, and there is a possibility that the Community could put up barriers to limit Canadian newsprint imports, as there would be enough newsprint capacity in Scandinavia and the EEC to meet EEC requirements.

The Ellesmere Port plant would enable Consolidated Bathurst to escape possible restrictions on Canadian exports.

For these reasons Consolidated Bathurst felt confident enough at least to announce that it was studying the possibility.

But as last year's abortive venture to set up a newsprint operation at Wiggins Teape's Fort Willian mill emphasises, there are still many obstacles to be overcome before the project goes ahead.

As with Fort William the most important aspect is the level of financial aid that the venture will attract from the Governments of the UK and New Brunswick. The modernised pulp mill at Bathurst may cost about \$50m, and Ellesmere Port a similar amount.

The Government failed to provide sufficient financial aid to allow the Fort William newsprint mill to be built or to stop Bowater closing its Ellesmere Port mill, which was losing £6m a year.

Consolidated Bathurst has stressed that Government support and grants are essential to the projects success.

But the contention that the UK needs a domestic newsprint industry for strategic reasons has never been accepted by the UK unlike France.

Lonrho in final round of battle on sanctions

By Raymond Hughes, Law Courts Correspondent

THE FINAL round of Lonrho's marathon legal battle against Shell and BP over alleged Rhodesian sanctions-busting by the two oil companies will begin in the House of Lords today.

Lonrho will challenge the ruling of the Commercial Court, upheld by the Court of Appeal, that there is no legal basis for the company's multi-million pound damages claim.

Today's hearing stems from the private arbitration of the dispute last year, at which it was agreed that certain preliminary questions of law should be decided before the arbitrators dealt with the facts of the case.

On all but one question the arbitrators found for the oil companies.

It will be the second time the Law Lords have had to deal with the dispute. Almost a year ago they rejected Lonrho's appeals against lower court rulings that the company was not entitled to see documents belonging to Shell and BP's Southern African subsidiaries, or the oil companies' evidence and submissions to the Bingham inquiry into sanctions busting allegations.

Birkenhead docks approach plan nears completion

THE FIRST of two schemes to improve the environmental and physical approaches to Birkenhead docks is in its final stages and should be completed within the next week.

Early this year Wirral District Council, in association with Merseyside County Council, put aside £100,000 to landscape the main approach road as part of a plan to improve the area's appearance.

Shrubs and trees have been planted which should improve a part of the borough badly in need of colour. Unfortunately, the scheme was hit by a drought early last month and then by more severe weather although Birkenhead missed most of the snow, the cold did affect new plants.

The second, more important, improvement will be a £700,000 scheme to upgrade Dock Road at Wallasey. This road belongs to the Mersey Docks and Harbour Company. The company's financial problems have meant that maintenance work has been continually deferred, so the road surface and paving is now in bad condition.

The county council would like to see the road improved to bring new life to Birkenhead's docklands but will not be responsible for a sub-standard road.

Wirral district council has steped in and allocated the money out of its industrial improvement area money from the Government. Work is expected to start on the improvements later this month. When it is completed the county council will assume further responsibility.

Birkenhead's docklands suffer from much the same dereliction as Liverpool's. There are empty plots, untidy or run-down buildings and badly maintained roads.

In 1979 the two councils set up an industrial improvement area for the Wirral docklands to focus attention on the problems. They were given Government financial backing to undertake some of the work.

The councils' first aim was to restore confidence in the area by a tidying-up. The second was to get local companies to work on their own premises and sites to complement municipal work.

If those two could be achieved it was envisaged that the growth of employment would be encouraged, an important factor in an area where unemployment is about 16 per cent and considerably higher for men.

Councils are being assisted by the English Industrial Estates Corporation which has put up advance factories on Dock Road.

UK NEWS

Mechanical engineering output forecast to increase by 5% next year

BY ALAN PIKE

MECHANICAL ENGINEERING output, which fell by 15 per cent between 1980 and 1981, is likely to increase by a relatively modest 5 per cent next year.

This estimate is made in the latest Engineering Industry Short-Term Trends published today.

The report is prepared by a working party comprising Government, employer and trade union representatives. It suggest that while the low point for order intake has probably been reached recovery will be gradual.

The first three months of this year showed a sharp upturn in mechanical engineering orders. However, this was because of particularly big contracts for power-station equipment, for Heysham, Torness and Hong Kong. If these contracts are excluded the first quarter of 1981 shows signs of being the lowest point of the recession for orders.

A slow recovery is predicted in the home market in 1981 "if only because the severity of the recession has forced some customers to defer purchases which will soon become essential."

Export orders are expected to remain level or possibly even deteriorate slightly this year. They are forecast to pick up next year as world trade expands "and as, possibly, UK price competitiveness improves slightly through lower inflation and an easing of sterling exchange rates."

However, the report stresses that the forecast recovery in 1982 will not be a complete one. Expected sales for next year will still be substantially below 1979 output, and even further behind 1974 and 1975 when record sales volumes were achieved.

Forecast sales volume in 1982 is put at between 8 and 21 per cent below 1979, and between 17 and 29 per cent below 1974 and 1975.

The recovery will also be patchy, says the report. Major and permanent changes in mechanical engineering product markets had been produced by a changing balance of power in the world and by the UK's emergence as an oil producer.

"Firms specialising in the growth areas may prosper alongside others whose traditional markets have disappeared and for whom little or no recovery may be seen."

Little change in recent investment levels is detected. The 1980 volume of manufacturing investment was 9 per cent less than in 1979, compared with a 7 per cent reduction in mechanical engineering home-market sales volume.

The 1980-81 recession, says the report, appears to have been no deeper as regards manufacturing investment than the 1975-76 recession. However, the allocation of investment between sectors of manufacturing has changed greatly.

"In 1975-76 the steel industry was investing heavily, whereas the motor-vehicle industry was not. In 1980-81 steel industry investment was very low while, in 1980 at least, motor-vehicle industry investment was at a high level."

The report provides renewed evidence of the decline in employment in mechanical engineering highlighted in the last short-term trends survey three months ago.

If the October-January trend continues this year 100,000 more jobs will be lost. Low order-books mean output per employee continues to fall even with increasing redundancies.

At least 68,000 jobs in mechanical engineering — at least 9 per cent of the total workforce — are supported by the Government's short-time working compensation scheme. The report says, "survival of many of these jobs must now be questionable."

However, decline in output per employee is not regarded as necessarily indicating a trend for the future. After the recession "the effects of manpower reductions and a reported improvement in working practices" are expected to result in increased output per employee.

Mechanical Engineering Short-Term Trends, Engineering Employers' Federation, available on subscription only.

Insider legislation 'no bar to contact'

By Christine Moir

LEGISLATION MAKING it a criminal offence to deal in securities on "inside" information, "does not and should not prevent communication between investors or analysts and companies," the Society of Investment Analysts has told members.

However, the Companies Act 1980, which outlawed insider dealing, "places the relationship of the investment analyst with his company contacts and with his clients in an entirely new position which needs guidance," the society said in Guidelines to Insider Dealing, published today.

The society warns analysts that although it is proper to meet company officers privately, the information disclosed should not be specific price-sensitive items.

It lists the sort of specific information regarded as price-sensitive under U.S. rules and intimates that case law could expand the initially much shorter UK list to cover much the same ground as in the U.S.

For such information to fall under the new legislation, however, it needs to have been passed to the analyst, directly or indirectly by an insider—someone connected with the company.

The legislation is stronger than in the U.S. in one respect: the communication of price-sensitive information is itself illegal.

Guidelines to Insider Dealing. Society of Investment Analysts. 211-213 Bromley High Street, Bromley BR1 1NY.

Skilled labour shortage predicted

BY ALAN PIKE

MINISTERS AND leaders of industry will be told tomorrow that an upturn in the economy will again confront industry with a shortage of skilled workers.

The warning is contained in a paper on labour market developments to be presented to the National Economic Development Council by Sir Richard O'Brien, chairman of the Manpower Services Commission. In the paper the MSC, which is responsible for national manpower policy, identifies three policy issues which it says must be faced in the context of an upturn in the economy—skill shortages, continuing unemployment problems in parts of Britain too severe to be solved by conventional policies, and labour force adaptability.

Shortages of skilled workers is a problem which has hampered Britain's industrial performance in the past.

The paper warns there is evidence that companies are again cutting training during the recession. It is essential, the council will be told, that there be better forward planning of manpower needs with greater provision for retraining and the employment of adult trainees.

This links with the third of MSC's policy issues, labour force adaptability. Ministers, union leaders and industrialists on the council will be told the commission soon intends to publish a consultative document setting out its proposed new training initiative, designed to provide Britain with a better trained workforce.

On unemployment the MSC paper says, economic recovery will leave some groups and localities with serious problems. It suggests that government-assisted action such as the provision of temporary jobs might have to be considered. MSC recognises this is a "contentious issue" but believes recovery from the recession may leave problems which conventional policies cannot solve.

Tomorrow's council meeting — which both Sir Richard and Mr. James Prior, Employment Secretary, are due to attend — will provide a timely opportunity for a discussion on the training initiative. Members of the MSC last week approved a document finalising the proposals and they may be published before the end of the month.

The three main planks of the initiative are to provide all school leavers who do not continue in higher education with year-long traineeships combining education and work experience; to reform apprenticeship training on the basis of attaining skills rather than serving time; and to make better provision for adult training and retraining.

Trade union leaders support the reform package but doubt if it will succeed unless it is adequately financed and backed by law.

They are unhappy about the Government's preference for voluntary training arrangements and are anxiously awaiting a review of training needs to be presented by the MSC to Mr. Prior next month.

This is almost certain to lead to Mr. Prior abolishing some of the 24 statutory industrial training boards.

In submissions to the MSC, many employers' organisations have favoured the abolition of statutory boards. When he receives the report, Mr. Prior will have the task of deciding which employers want voluntary arrangements because they believe they would work better than statutory ones, and which are simply trying to save money on training at a time when—as Sir Richard's paper warns the council—it is already being cut.

While the Government supports a voluntary approach, it is anxious that statutory boards should be scrapped only if industry is prepared to find ways of continuing to meet training needs.

Furniture makers want training system changed

BY JAMES McDONALD

THE MANPOWER Services Commission has been told by furniture manufacturers and the imported timber trade that they would like to see the Furniture and Timber Industry Training Board wound up.

Each trade would like training organised on a voluntary basis under each trade's own control. The trade unions in the furniture industry, on the other hand, would like the board to continue.

Spokesman for the British Furniture Manufacturers Federated Associations (BFM) — whose members have 59,000 employees—had a meeting on the subject last week with Mr. Peter Morrison, Parliamentary Under Secretary of State at the Employment Department.

They told him what they had told the Commission: that the training board had outlived some early usefulness and was now seen by the industry as an extremely expensive and time wasting organisation in relation to the benefit it produces.

The BFM is openly resentful of the training board in its submission to the Commission, which is preparing a report to the Government on the future of training boards. "The training board structure is reactionary. The subordinate status of employers on the board and its committees, by virtue of only one third representation, when it is they who pay all the levy, is wholly unacceptable," it wrote.

Instead, the BFM would like Government financial support for the industry's own training arrangements. These would involve strengthening the regional training arrangements of the British furniture trade's Joint Industrial Council. At local level each manufacturer would take prime responsibility for the recruitment and training of technicians, designers and commercial staff, and their supervision and management.

Local training groups would support the training activities of manufacturers and the BFM suggests the Government should give financial support to these groups. Also the Government should subsidise college courses for apprentices and other trainees.

Plants seek large share of Esso contracts

By Hazel Duffy, Industrial Correspondent

BRITAIN'S process plant manufacturers are concerned that they may not get as much work as they had hoped from the Esso ethylene plant to be built at Mossmorran, Scotland.

The first tranche of major orders is expected to be placed over the next few weeks, but the industry is worried that the first of these contracts, believed to be valued at about £1m, has gone to a Dutch company, and that this could indicate Esso will be placing other large contracts abroad.

Discussions have taken place in the past week between representatives of the Process Plant Association and senior officials of the Department of Industry, and the Department has subsequently relayed to Esso its fervent hope that a substantial part of the work will be placed in the UK.

The process plant content of Mossmorran is estimated by the association to be about £140m, representing about one year's work for 10,000 people.

As many as a third of the industry's workforce has been made redundant during the last couple of years and there are fears that there will be more job losses if Mossmorran—the only major process plant at the order stage in the UK—does not provide a lifeline.

Brokers cautious on economic prospects

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

CAUTION ABOUT the strength of any economic recovery has been expresed by City analysts of widely ranging views in circulars published over the weekend.

Stockbrokers L. Messel, which has been critical of the Keynesian approach, says, for example, that "it is premature to talk of a well-established or widely-based recovery. The situation should instead be described as a stabilisation of activity at low levels."

This view is based on the difficult world outlook, which will dampen demand for exports, and the impact of the Budget measures on personal disposable incomes and consumer spending, which has yet to appear in the statistics.

From a neo-Keynesian viewpoint, brokers Phillips and Drew argues that, while the end of the recession is in sight, there is little chance of much growth in output before the end of this year and the upturn in 1982 is likely to be weak and short-lived.

The firm expects consumer demand to weaken and to offset a slower rate of destocking. Looking ahead "it is certainly difficult to identify likely sources for the sustained upswing in activity."

There are still optimists around, however, and as reported in Saturday's Financial Times, broker de Zoete and Bevan believes there will be a strong recovery.

An analysis of the outlook for public sector finances from broker Wood Mackenzie suggests the Government should regain control of public sector borrowing in 1981-82.

This is because nationalised industry profits should recover in response to the recent big price rises and spending on goods and services should increase more slowly.

Consequently, Wood Mackenzie argues that by this autumn there should be much greater confidence that the Government is regaining control of its finances.

Gloom on car parts

MOTOR COMPONENT companies face an immediate prospect of "unmitigated gloom," says a report today by ICC Business Ratios. On performance of 99 manufacturers in three years ICC reports no evidence to indicate raised productivity.

That "fundamental failing" could in the long run prove a more destructive factor than even the recession, it claims. By any measure of profitability the picture in the components sector was of decline.

Many large component-makers were ploughing more investment into overseas manufacturing.

"The car component-makers are turning into mini-multinationals and increasingly seeing their futures outside Britain and often outside Europe."

Legal Honda dealers victimised by pirate sellers

Continued from Page 1

The non-franchised traders are under no obligation to make the substantial investments, or provide the service back-up facilities, required of a franchised dealer.

Receiving their machines at a discount of about 15 per cent, they can often sell at a profit yet still undercut franchised dealers—on margins of 18-20 per cent—particularly if machines are on sale or return.

The franchised dealers claim that the "pirates" are beginning to drive them out of business in the North-West, where the problem is most acute.

They say it is up to Honda to stamp out the trade by cutting off supplies to franchises trading in this manner.

At the same time the dealers, supported by the national trade associations, claim that motorcycles sold by unfranchised outlets present a potential safety hazard, that many of the outlets lack adequate service and repair facilities, or even the expertise to prepare machines properly for sale. Buyers also risk running into trouble when they try to make warranty claims.

The non-franchised outlets started appearing in any number in the North-West in 1977. Initially concentrated on Merseyside, they have now spread to Scotland, the Isle of Man and Birmingham and are appearing in London.

The issue of non-franchised sales has not just involved Honda. But when protests began to mount, the associations held talks with the other main Japanese importers—Suzuki, Yamaha and Kawasaki—and now pronounce themselves satisfied that these have effectively curbed the practice.

"The fly-by-night outfits are springing up and disappearing all the time," says Mike Knowles, owner of the franchised Ellesmere Port Motorcycle Centre. "And they include a lunatic fringe of outright villains."

It is this "lunatic fringe," says Mr. Knowles, which has been responsible for the threats and damage. "Can you wonder that we're furious when that kind of merchant gets anywhere near the trade?"

Mr. Loughridge, a NACMCT board member who has led the dealers' protest in the North-West, and other franchised dealers, concede that some of the non-franchised operations "try hard and do provide reasonable back-up."

The other side of the coin is that some machines are being sold from a small office at a coal-yard in the North-West, and others offered for sale on the front lawn of a private house.

Honda meanwhile has been requiring each franchise outlet to step up its facilities. The latest drive, Euroservice, has required a minimum £11,000 investment.

Mr. Alan Dix, director general of the MAA, and Mr. David Brown, president of the NACMCT, complain that Honda has ignored attempts to discuss the subject since a meeting in July 1979.

Then, says Mr. Dix, Honda UK's managing director, Mr. K. Amimeya, and sales director, Mr. Eric Sulley, said they would try to curb the trade although there were difficulties in the light of EEC rules on fair trading and other legal considerations.

EEC competition rules have been firmly enforced. Three years ago Kawasaki was fined £67,000 for refusing to allow UK dealers to supply non-franchised outlets in other EEC countries.

However, the Department of Trade, in a memorandum on the subject last year, said that in its view manufacturers might be able to insist that dealers do not resell to other dealers which did not meet objective qualitative requirements.

Establishing Honda's view of the situation was difficult. But five months after Honda was approached by the Financial Times on the subject a representative of Honda's lawyers, with Mr. David Ryland, the company secretary, visited the FT's office.

Honda says it is "wholly aware" of the dealers' allegations and maintains that they are "ill-founded and motivated by self-interest." The UK motorcycle market "is by no means saturated," but the underlying motive of the protesting dealers was that they did not like competition.

While the company did not approve of the manner in which some of the "pirates" operated, Honda had taken legal advice on free competition legislation.

The situation was continuously under review but Honda had been advised that to ban such sales in dealer agreements would lead to a successful challenge that competition was being restricted unfairly. "That would only make the pirates' situation worse."

Honda's apprehension about legislation is not shared by other importers as regards trading within the UK but Honda says its dominance in the UK market makes it more susceptible to rules on free competition. As things stood "there is no obligation on us to do anything about the current position."

The company says it believes the trade associations had no new points to make. "We see no reason in going over old ground."

While the company did not approve of the manner in which some of the pirates operated, Honda had taken legal advice on free competition legislation. The situation was continuously under review, but Honda had been advised that to ban such sales in dealer agreements would lead to a successful challenge that competition was being restricted unfairly. "That would only make the pirates' situation worse." Honda's apprehension about legislation is not shared by other importers as regards trading within the UK, but Honda says its dominance in the UK market makes it more susceptible to rules on free competition. As things stood, "there is no obligation on us to do anything about the current position."

Its franchised dealers signed up knowing that their agreements permitted other dealers to establish themselves. "They know that the only basis they could seek to argue for restrictions would be to raise the safety arguments."

Honda had no evidence that dealers had been driven out of business by non-franchised outlets. "There are a lot of sales to be got and a lot of discounting is going on. But that's not all down to the non-franchised trade, and no one is forced to be a dealer."

The number of franchised dealers, now 900, was still going up. If dealers were "going down like nine-pins," the case for restrictions would become stronger.

Honda says it recognises that it is not selling toys but sophisticated equipment — "but then almost anything is a potential safety hazard." If there was a real problem it would have shown up, Honda says, and stresses that last year it contributed £387,000 to the Schools Traffic Education Programme.

There is, says Honda, no evidence that purchasers are being deprived of warranty protection. The warranty states that it applies only to machines sold through, and worked on, by franchised outlets.

Nevertheless, "if this was a source of complaint, Honda inevitably would get to know about it. At the moment we're talking about one or two letters a month."

Acknowledging that sales from pirate outlets are not covered, Honda states: "If you buy more cheaply from a non-franchised outlet, then you take the risk; if you're happy to take it, that's up to you."

The MAA says that machines sold in this way "could be a serious safety risk as many of the dealers concerned do not employ trained staff or approved servicing equipment.

"Nor do they hold the spare parts that franchised dealers are obliged to hold by their agreements with the manufacturer. "We have had cases reported to us of our franchised dealers discovering incorrectly routed brake pipes, and incorrectly fitted fork end caps."

The NA's president, Mr. David Brown, said: "In the interest of public safety and fair trading we are determined to do everything in our power to stop these pirate operators."

Another factor in their stand is that motorcycles are despatched to dealers in cartons and require substantial assembly work. The manufacturers provide detailed assembly manuals, but only to franchised dealers.

One supplier to non-franchised outlets is Bill Smith Motors of Chester, owned and run by motorcycle racer Bill Smith. Smith is a franchised dealer who has been in the business for 20 years.

He is alleged by other franchised traders to be the principal funnel to non-franchised concerns in the North-West, but he denies that he is the major source.

It is his claim that as much as 20 per cent of sales may be through non-franchised dealers. But Honda suggests that "if there really were 25,000 machines a year being sold this way, we would be receiving an avalanche of letters."

Mr. Smith says he supplies selectively and there are no service, warranty or safety problems: "A lot of the non-franchised operations provide a damned sight better back-up than the franchised ones."

If the dealers whom he supplies do get warranty or repair problems, "we've always done them for them anyway."

The MAA has recommended that sales areas for each franchised outlet should be introduced—a proposal which would bring close scrutiny under free competition rules.

But it argues that "only then, with proper safeguards, will dealers be able to give their suppliers a contractual commitment to take a pre-determined number of machines with the necessary parts back-up to guarantee an efficient service to customers."

CONTRACTS AND TENDERS

MOROCCO

BUREAU DE RECHERCHES ET DE PARTICIPATIONS MINIERES (BRPM) will solicit bids for the erection of equipment, structures and machinery for a small oil shale pilot plant to be located near Timahdit, Morocco.

Please indicate interest in bidding for this project by letter including qualification to data, BRPM, 5-7, Chariaa Moulay Hassan, Rabat, Morocco, and DAVY McKEE, 6200 Oaktree Blvd., Cleveland, Ohio 44131, before May 15, 1981.

Documents and drawings will be available to bidders approximately June 1, 1981.

INSURANCE

Slow moves towards the European ideal

BY ERIC SHORT

THE UK is one of the major world insurance centres, particularly for non-life business. When it joined the EEC nearly a decade ago it was felt the insurance industry would benefit by having a much wider "home" base.

There would be freedom of establishment for insurers within the EEC and freedom of service by insurance companies and intermediaries.

The ultimate goal of complete freedom would, for example, enable a West German company to insure its French factory with an insurer in the UK with the insurance being arranged by a UK insurance broker in London.

Progress towards this goal has been extremely slow. The non-life establishment directive, issued in 1973, set out conditions for setting up, operating and supervising insurance companies within the EEC, including statutory solvency margins.

The necessary legislation in the UK is only now going through Parliament in the Insurance Companies Bill. This Bill is also implementing the EEC life establishment directive.

Progress here is speedy, however, compared to the non-life services directive under which risks would be directly underwritten across frontiers. Lack of progress is exasperating UK authorities, which have been pressing the Council of Ministers to speed up deliberations.

Mr. Roy Jenkins and Mr. Christopher Tugendhat, during their terms of office in the community, both urged strongly for progress from other member countries. Last December Mrs. Margaret Thatcher raised the subject with the council, telling them to get on with the job.

The Council of Ministers held its first discussions on the directive last month, but much of the directive is still being considered at the committee stage and is not yet ready for discussion at council level.

This lack of progress is not surprising considering the different systems operating in the UK and in other EEC countries. The UK system has been described as "freedom with publicity." Insurers set their own rates, impose their own conditions and invest their assets as they deem prudent. There is only a minimum of central control.

This freedom has enabled UK insurers to be a world-wide force.

In contrast, the continental system is one of rigid central control over premiums, investments, policy conditions and solvency requirements. The industry in these countries has not expanded beyond national frontiers.

It is not surprising, therefore, that EEC members with the tightest control—France, Italy and West Germany—are reluctant to adopt a non-life services directive that would open their frontiers to insurance risks.

UK insurance companies have operated in these three countries for decades but they had to establish subsidiaries in each and conform to the conditions of the country concerned. They have not been able to underwrite the risk back in London.

Despite all the endeavours of UK authorities, progress is expected to be slow.

The first essential for harmonisation of services is a change in the attitude of the authorities in those three countries. One has the feeling that the industry within those countries is wary, not having the expertise to compete.

The life services directive is even further behind, but pressure for freedom of services for life insurance business is minimal. UK life companies, with few exceptions, appear to have little desire to expand elsewhere within the EEC. UK life companies which have gone abroad have tended to concentrate within other Commonwealth countries.

Group to study Forth hazards

THE Forth Ports Authority, Shell Expro and Esso Chemical have commissioned an independent shipping hazard assessment. It covers shipment of LPG and ethylene cargoes from the terminal under construction at Braefoot Bay on the estuary's north side.

The contract was awarded to Erco Energy Resources Company Incorporated, of La Jolla, California. This fulfils an undertaking given jointly by the two companies and the Forth authority to carry out such a study.

ADVERTISEMENT

INSIGHT INTO JAPANESE MANAGEMENT

Minolta: Exciting technological possibilities in the future

Minolta U.K. Ltd.

One of a series of articles by Dick Wilson on Japanese enterprises in Britain

It was Minolta equipment which gave us all those pictures of ourselves taken from Apollo 11 on the 1969 moon shot. This is the company which has, over half a century of manufacturing, sold 12 million cameras to the world. Mr. Kazuo Tashima, founder of the original enterprise in 1928, is still active as President of the Board, his enthusiasm undimmed.

"After more than half a century in the optical equipment business" he wrote in his last annual report "I am excited by the technological possibilities in the years ahead."

Mr. Tashima has, nevertheless, some words of caution for those who will succeed him. "Where possible . . . we want to be the first on the market with new technology but more importantly, we must ensure that consumers get a product with the best technology, even if it means being second."

Absorbing the lessons of this remarkable entrepreneur are his brother and two sons, who are on the Board of Directors.

As an enterprise which deals in images, Minolta is refreshingly clear about its own purposes. "Our goal" one of its brochures declares "is to contribute to man's creative activities through images." And in another place, Minolta describes itself as "a total image company." The senior Minolta man in Britain, Mr. R. Kutani, explains:

Kutani

Quality standards are designed in

"Minolta is an international manufacturer marketing image-making and information products and systems. Minolta have produced more kinds of photographic, lighting and light measuring equipment over a longer period than any other manufacturer. For over 20 years, however, a part of our diversification programme has been in the business equipment field. The same programme has resulted in the development of a number of other unique product lines that deal with light; planetariums, recently in Finland and Peking, medical diagnostic instruments and so forth.

Sales of all products are now running above US$630m and, in the year to March 1980, they showed a 30 per cent improvement on the previous year. Cameras still accounted for just over 55 per cent of sales, copiers about 45 per cent. The profit, after tax, was down by 15 per cent to $7.3m. Capital expenditure during the year 1979-80 totalled $29m.

These healthy figures represent what has gradually become, for a relatively small and specialist company, a global effort. From its Osaka headquarters, Minolta co-ordinates the activities of eight major Japanese subsidiaries and 15 overseas subsidiaries; five of them in North America, seven in Europe and three in the Far East.

The company now has 9,000 employees, one in five is non-Japanese. Minolta has thus taken on the challenge of running a multinational workforce, spread over a dozen countries in three continents.

The international reputation of Minolta products is maintained by a meticulous quality control system, which is built in at the design stage and followed through on the production line itself. A company publication explains these measures as "self-correcting."

Minolta's quality control engineer comments: "Several years ago it became clear that no further improvement could be achieved from on-the-line inspection. Quality standards are therefore pre-determined at the design stage."

Left to right: Mr. K. Goto, *General Manager;* Mr. R Kutani, *Managing Director;* and Mr. Lawrie Lyons, *National Sales Manager,* Minolta (UK).

The British operation has been in production for a year in the new town of Milton Keynes, and is primarily concerned with copiers. Mr. Kutani explains how this happened:

Kutani

"We looked for premises in the home counties roughly north-west of London which could house head office and warehouse, under the same roof."

I asked Mr. Kutani the story of Minolta's launch.

Mr. Kutani is 41. He has been with Minolta for over 17 years, nearly 14 of which he has spent in Europe. Mostly he was in Germany developing the photographic business, although he did have two years in Holland setting up a Dutch subsidiary. After almost half his working life spent solely in the photographic business, he is now involved in the business of photocopying equipment.

Kutani

"Minolta (UK) Limited was formed on 21 January 1980. It took only two months to recruit and organise the company and trading commenced on 1 April 1980. So, we have been selling copiers for just about a year. The photographic business was set up only four months ago."

The person who planned the Minolta UK project from the very beginning was Mr. K. Goto, 34, who has been with the company for 11 years. He too had five years in Germany before coming to England, but unlike Mr. Kutani, has been specialising in business equipment.

Goto

"We could not leave the important UK market in the hands of a distributor. Naturally, we took over from dealers who had been handling our products in the UK. We contacted a number of additional dealers in the UK and thus increased our outlets, both in number and quality.

"Of course, if we Japanese tried to do all that ourselves, we would be putting limits on the operation. So the work is left mainly to the British staff under Mr. Lawrie Lyons."

Wilson

"How much more successful have you been in your first year of direct operations?"

Goto

"We have increased our market share by approximately 200 per cent."

Wilson

"Can you maintain that performance?"

Goto

"Of course, we are aiming for that and I am quite sure we can do it."

So, the key person is Lawrie Lyons, who has been in the office equipment business for almost a quarter of a century and in photocopying since 1967.

Aged 47, he joined Minolta just over a year ago to help set up the trading launch, as the National Sales Manager in the Business Equipment Division.

Wilson

"How did you get on the road, Mr. Lyons?"

Lyons

"Once initial recruiting was completed we had 10 field support people with a back-up team of seven at head office."

Wilson

"What is the payroll today?"

Lyons

"About 30 in the Business Equipment Division, another 20 in the Photographic Division and 20 more in administration and finance."

Wilson

"How many of these are Japanese?"

Lyons

"There are eight, including three technical advisors."

Wilson

"Mr. Lyons, you're the senior British executive here and you've worked for British companies before you joined Minolta. What would you say is the difference?"

Lyons

"Mainly, given a brief, you formulate your plans, agree them together and get on with it. There is no interference at all; if it is necessary to change the plans, it is done through discussion. As far as sales are concerned, I am given freedom to operate in the way that has been decided: there is no interfernce. The system is not bypassed in any way. There is a line of responsibility and we all know exactly where we stand."

Wilson

"How are the cameras going?"

Lyons

"The setting up of that Division followed the same format as ours. Mr. Y. Hayashi, who is Special Assistant to Mr. Kutani, came to the UK from Japan in late 1980.

"He has specialised in the photographic business with Minolta for 12 years. Mr. Bill Christie, who also has many years experience in the photographic world, joined the division in late 1980 as Sales and Marketing Manager.

"The Photographic Division became operational on 1 January 1981 and have launched an additional three new product groups—the new XG-M in 35mm SLR, the CLE in a system range finder camera, plus a new range of compact cameras.

"Over a very busy three months, they have firmly established themselves as a serious competitor in the quality camera market."

Wilson

"Mr. Goto, you've worked in Germany as well as here. How do you find your local staff? Do they work hard enough? According to some foreigners' opinion, we are rather lazy."

A good team, a good product and the will to succeed

Goto

"We are very happy with our British staff, who are very diligent. We have to depend on them for so many things and they perform well."

Wilson

"What are your actual targets for copier sales?"

Goto

"In the first year, we aimed for 8 per cent of new machine installations; which we may have slightly exceeded. In the second year our target is 13 per cent, and in four years 20 per cent. I am talking about plain paper copiers, which are the most advanced."

Wilson

"Won't you reach saturation point?"

Lyons

"No. Technology is moving rapidly and people like to keep up with it. Machines that are replaced are often sold to the second-hand sector, so it tends to be a shuffle or cycling business.

"Of every five companies that have a photocopier, one will replace it over two years. In any case, in the not too distant future photocopiers will be intelligent.

"Linked to computers, they will produce copies from the computer memory or will add to a document which you already have. All this is at the development stage."

Wilson

"Do you ever come up against resentment of imports from Japan in this country?"

Goto

"Well, the product we are marketing here is not in conflict with British products, fortunately. So we are not vulnerable to that kind of criticism."

Wilson

"Have you found it difficult to settle down in England?"

Goto

"One thing that we did not expect was the time taken up in obtaining premises, getting telephones and telex installed, and bringing in office furniture. Our headquarters in Osaka did not give us much time to get started, because they did not appreciate British procedures."

Lyons

"Only a month before we were due to start trading, we had no offices."

Kutani

"With no office, or telephone, we had to sit round a table in a small conference room in a hotel as temporary accommodation. It was like a guerrilla operation.

"But we managed to get going and to start building up our business in very rapid time, having a good team, a good product and will to succeed."

Wilson

"It all sounds like a very characteristic Minolta operation. I am sure Mr. Tashima, your founder, is proud of you."

MINOLTA

1-3 Tanners Drive, Blakelands, Milton Keynes MK14 5EW
Tel: (0908) 615141

UK NEWS—LABOUR

Call made for all-out air services strike

By Our Labour Staff

CALLS FOR an all-out strike among air-traffic control staff and other air-service staff in the Civil Aviation Authority were said yesterday to have been made.

They were made in emergency motions submitted for debate by the CAA branch of the Civil and Public Services Association for a conference to be held early next week.

Pressure from civil servants to step up action affecting air services was said by union officials to be increasing yesterday as action in the eight-week-old campaign of disruption over pay by Civil Service unions threatened to cause continuing disruption to air traffic in Scotland.

All air traffic in the Scottish air space region, including services to and from England as well as European flights, is expected to be affected today through action by morning shift staff at Prestwick air-traffic control centre.

British Airways said 14 of this morning's flights had been cancelled although the majority of services from other UK airports is expected to be unaffected.

Industrial action by airport staff is due to concentrate on Scotland again tomorrow. There, unions said they were calling out the morning shifts in three airports—Glasgow, Edinburgh and Prestwick. This is expected to lead to further delays and cancellations

Isle of Grain workers to vote on peace plan

BY JOHN LLOYD, LABOUR CORRESPONDENT

WORKERS AT the Isle of Grain power station construction site vote today on whether to support an issue of union principle, as some see it, on the one hand, or to safeguard their jobs for another two years on the other.

The contractors at Grain, including the site's client, the Central Electricity Generating Board, have organised the ballot. It asks the 1,300 workers if they would be prepared to support the TUC formula for the troubled site.

That formula calls for the redeployment of about 50 trainee insulation engineers, or laggers, from the all-but-complete Unit One to the station's fourth unit, which has not been started.

This is to allow the 27 laggers who are members of the General and Municipal Workers Union to take up their traditional work as laggers on units One and Three, as is also provided for in the TUC formula.

However, a number of the workers at Grain regard the trainee-laggers, who took the GMWU members' jobs following their dismissal 18 months ago for refusing to accept new contractual terms, as "scabs."

They also believe that the 600 workers laid off from the station last year should have the first opportunity for jobs on Unit Four.

Mass meetings of sections of the workforce voted against redeployment last month. Their vote went against the advice of the union officials most involved in the dispute.

These were Mr. John Baldwin, general secretary of the Amalgamated Union of Engineering Workers' construction section, and Mr. Eric Hammond, an executive councilman of the Electrical and Plumbing Trades Union.

Mr. Baldwin, who has played the central role in the issue, has argued that the trainee-laggers were responsible for keeping work at the station going and thus safeguarding jobs.

The CEGB has made it clear that it will not open the fourth unit until it gets agreement on redeployment from the workforce.

The board said last night that an acceptance by the workforce was a necessary condition for work to proceed though a decision to do so would not automatically follow an acceptance.

The ballot forms were drawn up by the Electoral Reform Society. They must be posted back to the society, for counting on Thursday.

The workers are asked whether or not they approve of the TUC formula for ending the inter-union dispute at the station, the crucial issue being the redeployment of the trainee-laggers.

Wales TUC 'social contract' talks fail

BY ROBIN REEVES, WELSH CORRESPONDENT

THE TRADE union movement's first public debate over the desirability of a social contract with the next Labour Government ended in angry disarray at the Wales TUC's annual conference in Porthcawl at the weekend.

What was planned as a 1½-hour discussion on the Wales TUC's recently-published social plan, including proposals for a comprehensive incomes policy, was halted after half an hour by a procedural motion.

This was in spite of reassurances from Mr. George Wright, the Wales TUC General Secretary, that the social plan was only a consultative document and would be revised in the light of comments from delegates.

He argued that the only way out of the current economic crisis for the Labour movement was to plan its way out. But the economy could not be planned without incomes planning. He insisted this was not the same thing as wage restraint, which was bound to fail.

Proposals to strengthen TUC to be presented

By Pauline Clark, Labour Staff

PROPOSALS to strengthen the TUC's regional resources, its campaign work and its role as a co-ordinator of bargaining objectives are contained in a five-year plan to be presented to a Trades Union Congress special conference in two weeks' time.

But the TUC's latest report on unions' responses to detailed proposals for overhauling its organisation, structure and services shows little support for moves which would lessen the individual autonomy of congress's 109 affiliates.

Congress's second consultative document follows last February's first conference on the plan. It emphasises the need to improve union resources in the 1980s, in the face of declining membership caused by unemployment and consequent pressure on finances.

The availability of resources is described as a key factor to determine how far congress can extend its work and embark on developments. The document makes clear this must depend on increasing unions' income.

Congress's general council, faced with an estimated 1m fall in affiliated union membership, to 11m by the end of this year, last week agreed a 20 per cent rise per member in affiliation fees, to 47.5p.

The document draws further attention to the need for unions to raise subscription fees, and to seek economies through rationalising and co-ordination of services to avoid financial problems from next year.

It is in helping unions to achieve economies that proposals for strengthening the TUC appear to draw greatest support.

Problems of union administration are discussed, with proposals to examine the use of computers and related technology.

Other proposals cover possible development of regional organisation, with the appointment of full-time regional secretaries. This is an aspect which has gained importance in the past year, in the campaign to involve the unemployed in the union movement.

Plans for extending Congress's industry committee structure gained support. Committees to cover the chemicals, food, drink, tobacco, agriculture and distribution, banking, insurance and finance sectors were proposed, to be examined with unions involved.

It is suggested the committees might discuss organisation and bargaining. However, in line with the general response of unions to wide-ranging discussions on the role of congress it is emphasised that the committees "would not in any way conduct actual negotiations."

While in general unions are shown to support increased authority and influence by the general council, this stopped short of proposals to increase its formal powers.

Proposals for greater centralised power in congress were opposed as possibly harmful to its effectiveness as a unifying force for the country's trade unions.

EEC rules 'can aid equal pay'

By Our Labour Staff

MORE WOMEN could get equal pay if trade unions and the Equal Opportunities Commission worked together to identify cases where they could claim it under European law, Baroness Lockwood, chairman of the commission told the General and Municipal Workers' Union Conference in Manchester.

Lady Lockwood said six of the 14 "equality" cases in the Court of Appeal were backed by unions, or jointly by unions and the commission.

Union negotiators were becoming increasingly aware of hidden discrimination against women in job evaluation schemes which contained a bias aginst women's skills and jobs. She invited unions to pool experience with employers at regional seminars on job evaluation schemes to be held by the commission aimed at overcoming sex bias.

Docks disruption

DISRUPTION OF work in the port of Southampton is expected to continue today, with no sign of an end to the dockers' pay dispute. Work has been limited to one daily shift for more than a week. The P&O luxury liner Canberra and the Cunard flagship QE2 were prevented from docking over the holiday weekend by action of mooring gangs.

Mersey talks

TALKS WILL resume in Liverpool this week between the Port Employers' Association and the Transport and General Workers' Union on the annual pay award for 3,000 dockers who have tabled a "substantial" claim.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	International Ideal Homes Exhibition (021-705 6707) (until May 17)	NEC, Birmingham
May 5-8	London International Building Products and Services Exhibition (01-540 1101)	Olympia
May 10-12	British Craft Trade Fair (0282 867153)	Harrogate
May 12-14	Defence Components Expo (01-839 5041)	Metropole Exbn. Hall, Brghtn.
May 13-14	Scottish Contract Flooring Exhibition (01-236 0911)	Ingliston, Edinburgh
May 13-17	National Action Sports Show '81 (01-637 2400)	NEC, Birmingham
May 17-20	Wholesale Buyers' (Spring) Gift Fair (01-855 9201)	Olympia
May 17-21	London Furniture Show (01-385 1200)	Earls Court
May 17-21	Interior Design International '81 (01-540 1101)	Olympia
May 19-22	Chelsea Flower Show (01-834 4333)	Royal Hospital
May 20-21	Print Fair '81 (01-253 9355)	Bloomsbury Centre Htl., WC1
May 25	County Show (04868 22184)	Guildford
May 27-29	European Liquefied Petroleum Gas Congress and Exhibition (01-894 1041)	Royal Festival Hall
May 27-29	Management Services Exhibition for the Retail Motor Trade—MOTRADEX (0225 318300)	Kensington Exhibition Centre
May 29-June 5	Institution of Electronics Exhibition (0706 43661)	Ingliston Showground

OVERSEAS TRADE FAIRS AND EXHIBITIONS

May 4-9	8th International Surface Treatment and Industrial Finishing Exhibition (01-493 3964)	Paris
May 14-17	International Antiques Fair (01-540 1101)	Antwerp
May 19-22	International Energy Management Exhibition and Congress—ENERGY (0727 63213)	Essen
May 20-22	Videotex '81 (09274 28211)	Toronto
May 21-26	National Textile Industry Fair—FENIT (01-406 2104)	Sao Paulo
May 22-26	International Accessory, Machinery and Materials Fair for Furniture Production, Interior Decorating and Furnishing — INTERZUM (01-409 0956)	Cologne

BUSINESS AND MANAGEMENT CONFERENCES

May 6-7	Crown Eagle Communications: Communications at Work Seminar (01-636 0617)	Royal Garden Hotel, W8
May 7-8	Strategic Marketing Computers: Security and Disaster Contingency (01-373 5115)	Penta Hotel, SW7
May 8	New Opportunity Press: Law at Work '81 (01-444 7281)	Birkbeck College, London
May 11-12	The Economist—Video Conference (01-839 7000)	National Film Theatre
May 11	Malaysian Industrial Development Authority: Malaysian Investment Dialogue (01-493 0616)	The Churchill Hotel, W1
May 13	FT Conference: Traded Options—a new dimension for UK investors (01-621 1355)	Mark Lane, EC3
May 14	The Textile Institute: Fabrics and Finishes for Workwear (061-834 8457)	Novotel, Bradford
May 16	Thames Polytechnic: How to start your own business (01-854 2030)	Woolwich, SE18
May 18-19	Government Research Corp.: World Gold (01-370 3176)	Guildhall
May 19	Dun and Bradstreet: Understanding Credit and Collections—for collection personnel (01-247 4377)	Portland Hotel, Manchester
May 20	University of Leeds: Reducing Industry's Transport Problems (0532 35036)	Leeds
May 21	European Study Conferences: Tax planning and management of stock relief in the light of the Finance Bill (057282 2711)	Selfridge Hotel, W1
May 21	Comprimo: Chemical Industry in the years 1985-2000 (31 20 598 3211)	Amsterdam
May 26	Industrial Relations Briefing: Sick pay scheme—the changes (01-289 1158)	London
May 28	The Institution of Taxation: Finance Bill '81 (01-235 8847)	Royal Lancaster Hotel, W2
June 1-2	Management Centre Europe: Do the old rules still apply? (Brussels 2190390)	Brussels
June 1-2	FT Conference: The role of international companies in Saudi Arabia's development plans (01-621 1355)	Grosvenor House, W1
June 1-2	FT Conference: Energy supplies—feast or famine? (01-621 1355)	Hilton Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

Debut for German machine in flat roofing felts

BY RHYS DAVID

A £1M, 70M LONG, new German machine, likely to speed up the growth of needled bonded polyester as the base material used in flat roofing felts, is about to make its debut in the heart of the Trafford Park estate in Manchester.

The investment has been made by D. Anderson and Son, which ten years ago, pioneered the use of polyester as a replacement for traditional cheaper roof felting materials such as rags, papers, glass fibre, asbestos and hessian.

The company is part of BPB Industries, the building supplies group which includes British Gypsum.

Today, polyester—which like rival materials is covered by Anderson and similar companies with a layer of bitumen and then fixed in hot bitumen in flat rooves—has about 20 per cent of the market in the UK, and is the main growth sector.

Anderson, which started out in Northern Ireland more than 100 years ago making felts to fit between copper and wood on the hulls of men-of-war, claims to have 60 per cent of this polyester share.

Polyester fibre has been gaining acceptance as a roofing felt material, even though it is roughly twice as expensive as traditional rivals, because it is much better suited for use with many buildings erected by modern methods, Mr. Keith Pearson, Anderson's managing director, claims.

According to Anderson it is only now being realised that cracking and other problems with flat roofs—not generally very well-loved by the architectural profession—often stem from the buildings themselves.

"There is no movement if you have a concrete structure but with modern, lightweight structures you get flexing, and this can lead to cracking, Mr. Pearson says.

Needled polyester felts, the company claims, can cope with this. Different polymers can also be added to modify the bitumen to make it more elastic so that it will move with the base, or to give it the necessary performance to operate effectively in exceptional conditions such as very high temperatures.

Polyester, being a plastic, is also not affected like other materials by the condensation which is again a feature of many buildings of modern design.

Anderson's move into polyester felts has been part of a policy of trying to anticipate and come up with solutions to problems experienced by customers in the building industry in the use of flat roofs. Though there are innate difficulties, the flat roof, Mr. Pearson points out, is much less costly than the pitched alternative and can cope with unorthodox building layouts and very large areas.

One of the contracts won by Anderson was for the National Exhibition Centre in Birmingham.

Other items developed by Anderson to make it easier for architects and builders to use flat roofs include various items of roof trim, such as edging, roof lights, drains and vents. A more recent development has been the company's Insulplate boards, a 4.5 mm thick sheet of glass reinforced concrete bonded to extruded expanded polystyrene.

This is intended for use above the weatherproof membrane of bitumenised felt on a flat roof, where it acts as a very high performance insulant.

Largely as a result of its success with polyester felts and other new products, Anderson has been able to go on making good profits despite the worst recession the building industry has seen for a very long time.

The return on capital has been running at 50 per cent and pre-tax profit last year came to £2.8m on £15m turnover, a figure that is expected to improve this year to about £3m.

The first law of robolics . . . said Isaac Asimov

"ACTUALLY," Douglas Hall said, with commendable modesty, "We're bloody good."

He was arguing that, far from trailing in robotics, as is commonly supposed, the UK has a lead in at least some major aspects of robot design.

Douglas Hall is the founder of Hall Automation (now part of the GEC Marconi group) which has pioneered the development of industrial robots in Britain.

It won the Queen's Award this year for the development of solid-state controls—the HAL System 90—for its family of robots—a paint sprayer, an arc welder and one which lifts things from one point and deposits them elsewhere.

Later this month at the Automan '81 exhibition in Brighton it will announce the CompArm, a six-axis, compact and flexible paint spraying robot, also controlled by HAL 90.

The new robot it is understood has already excited interest and orders in the motor industry.

Despite the general impression that the U.S. and Japan is far ahead in robot technology, Mr. Hall believes his toughest competition is the Norwegian company, Tralfa.

It was Tralfa's development of control systems based on disc memory that spurred Hall's interest in solid state

It had worked out how to compress the necessary instructions into a very small space, but it needed an easily programmed system which would not fail if the power was switched off.

The answer was the EAROM, the electrically alterable read-only memory, a form of silicon semi-conductor device which does not lose its memory when the power goes off.

The Hall robots can be taught simply by taking them manually through their paces using a light "teaching arm" —each movement is stored in the EAROM memory ready for practical application.

Hall Automation will tell you how bloody good it is on Watford 35422.

Oxford instruments develop dilution refrigeration systems

TWO MOBILE dilution refrigerator systems with cooling powers of 100 and 200 microwatts respectively at minus 272.9 degrees C have been developed by Oxford Instruments (0865 41456).

They are designed specifically for neutron scattering experiments, where the system may have to be moved. The first system was delivered to the high-flux neutron reactor at the Institut Laue Langevin in Grenoble, where it has performed experiments on more than six different spectrometers.

The other system was delivered recently to the Rutherford Laboratory near Oxford, and in tests a base temperature of 5.9 millidegrees Kelvin, only slightly above absolute zero, was reached in the continuous mode.

To meet the need for complete mobility, the systems incorporate all the necessary valves, pressure gauges, storage volumes, pipes and pumps with a single cabinet.

The weight of the 1.7 metres high cryostat has been kept down to 75 kg, including the cryogen. Even with this small size of cryostat, the liquid hydrogen hold time is 24 hours while the liquid helium hold time is more than 48 hours, says Oxford Instruments.

The use of aluminium tails of different configurations (all giving 360-degrees access to the neutron beam) allows a large experimental volume of about 200 mm deep by 150 mm diameter.

The cryostat is connected to the pumping cabinet by flexible lines up to 3 metres long, while the combined cabinet and cryostat can be either wheeled into the required position or moved by crane.

Two specially strengthened dilution units, both using sintered silver heat-exchangers, are available for the mobile systems. Oxford Instruments says that a base temperature of at least 7 millidegrees Kelvin is guaranteed.

Software package for M-way noise levels

A COMPUTER software package designed to enable highway authorities to calculate the expected noise levels near planned motorways and other road improvement schemes has been introduced by Applied Research of Cambridge (0223 65015), which claims that the software, known as enhanced MWAY, can more than halve the time needed to produce the required data.

With MWAY it is possible to calculate expected levels of traffic noise in accordance with Department of the Environment standards laid down in the Noise Insulation Regulations of 1975 and to specify buildings in the vicinity likely to qualify for appropriate noise insulation grants, says ARC. The package is designed to be used by highway planning officials with little or no computing experience.

The user inputs data concerning the proposed motorway, such as width, lane designations, barriers and large traffic signs; details of the adjacent terrain; and information about the location and size of buildings nearby.

This data is input through a digitiser from the master plan and the projected traffic flow figures are added. The computer then produces noise level figures at the façades of the particular buildings.

The input data required is the same as that used for manual calculations and the system does not need any additional data, it is claimed.

Windlogger for wind

A SMALL workers' co-opera-tive at Hexham known as the Northumbrian Energy Workshop (0434 604809) has introduced a microprocessor-based data logger for the assessment of hill-top sites suitable for wind-power generating plant.

Called Windlogger Model 2, the instrument takes in continuous wind-velocity data from up to eight anenometers and one wind direction vane.

After a pre-set period, usually about 15 seconds, the recorded data is averaged by the microprocessor and then stored in a memory "bin." The co-operative claims that 32 of these "bins," which are part of the microprocessor circuitry, will provide a useful analysis of the prevailing wind-speed spectrum on the site.

A built-in quartz digital clock provides an accurate measurement of the elapsed time while a liquid crystal display in the top of the microprocessor casing shows the final data.

Hymac improves its 580D excavator

AN IMPROVED version of the Hymac 580 series hydraulic excavator, the 580D, introduced by IBH Holding, Newbury, Berks (0635 46777), has a stronger centre section with two square box-section cross members welded to the top and sides of the crawler track frames and a ground clearance increased from 330mm to 480mm.

The undercarriage now has solid idlers and, if required, 900mm track pads can be fitted to the standard undercarriage.

The superstructure has a rearranged component layout and a rubber-mounted cab giving improved comfort for the driver, it is claimed. The two central I-section beams of the earlier versions are replaced by two fabricated box-section beams, while at the rear the 900 kg counterweight rests on two ledges of the vertical plate, thus removing much of the stress from the four mounting bolts.

The new monobloc boom, claimed to be lighter and stronger, is of plate construction incorporating cast forks at the boom foot and dipper mounting point and a casting at the lifting cylinder mounting point.

Long-lift cylinders and improved geometry are said to have obviated the need to change cylinder positions to achieve maximum digging depths and maximum dump height. The maximum digging depth is just over six metres.

. . POINTERS . .

Corrosion

THE corrosion resistance, non-wetting and low friction properties of polytetrafluorethyelene (PTFE) and the strength of steel or aluminimu are said to be combined in a material called Xylaminate.

Offered by Whitford Plastics of Runcorn, Cheshire (09285 66548), the material is described as a sheet of aluminium or steel to which a coating of Xylan matrix fluorocarbon has been applied on one or both sides. Different colours can be provided.

Coatings are applied in a uniform thickness of 15 microns to metal up to 800 cm wide and of almost any length and the material is available as either flat sheet cut to specific dimensions or complete coils. Pressing, stamping or spinning are facilitated by the coating, claims Whitford Plastics.

Cylinder range

THREE new ranges of hydraulic cylinders are being marketed by Lucas Fluid Power (0203 468111). Nearly 300 different cylinders are being offered.

For machanical handling and medium-duty industrial applications there is the GP range which is produced in bore sizes from 40 to 200mm diameter. These are designed for a working pressure of 175 bar and, says Lucas, are suitable for applications where a non-cushioned cylinder is required.

U.S. dicing

PRODUCTS ranging from floor tiles to chocolate boxes can be film-wrapped by the latest high-speed automatic wrapping machine made in the U.S. by the Shanklin Corporation and distributed in the UK by Wrapid Machinery of Bradford, Yorks. (0274) 22920).

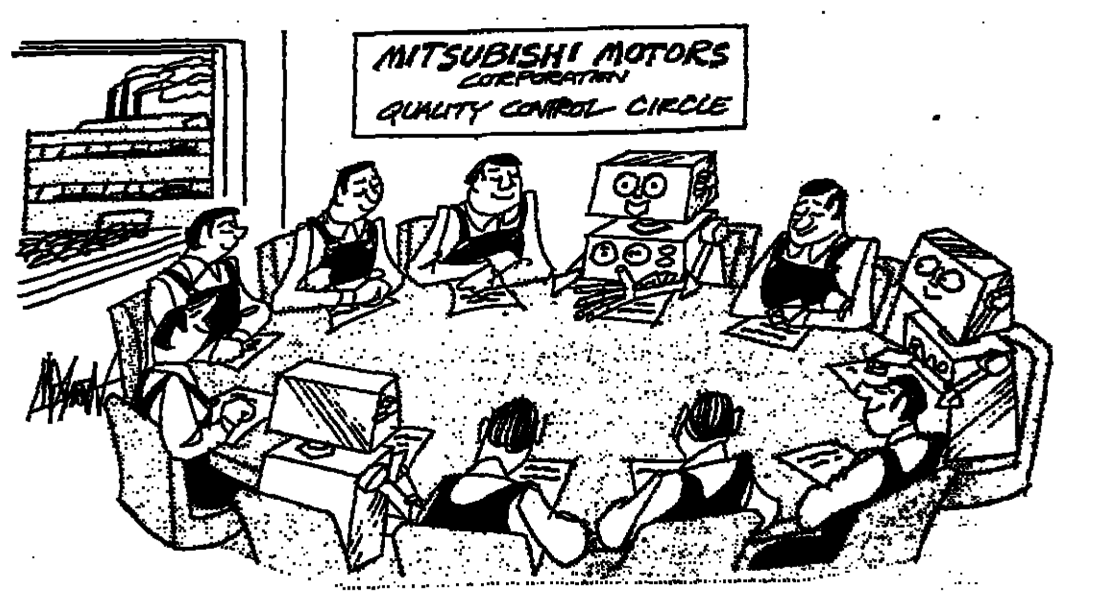
The company says the machine provides neat bead seals on three sides of the at the bottom and ends.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Charles Smith explains how Mitsubishi is able to include those little extras that many other car manufacturers cannot afford

Spin-offs from living with robots



WHY DO Japanese cars generally cost less than their equivalent European or U.S. models, even though they include, as standard equipment, many items which Western car makers normally regard as extras? The answer, judging by a visit to the Okazaki plant of Mitsubishi Motors Corporation, lies partly in a uniquely flexible system of final assembly and partly in the price and delivery standards which Japanese car makers extract from their suppliers.

The Okazaki plant, which stands on a 400,000 square metre site amidst rice paddies in west central Honshu, is by no means the largest of Japan's super-automated car assembly plants. Opened in August 1977, it was designed to produce about 18,000 cars per month (215,000 per year) on a two-shift system, each of a nine-hour working day. Its distinctive feature is that it has the capacity to turn out, on a single computer-controlled production line, as many as four different passenger car models in anything up to 200 "varieties" (which allow for differences of colour, seating, suspension and braking systems).

The Mitsubishi "mixed production" system with its flexibility is claimed to more or less match the economies of scale which Toyota and Nissan enjoy with much longer production runs for individual models. It therefore seems ideally suited to the needs of a medium sized car maker. It depends, however, on faultless co-ordination between the "robotised" painting and welding sections of the plant and the "human" final assembly line. The 130 suppliers dotted around the countryside near Okazaki are no less important. They have to deliver components at intervals ranging from four hours down to 25 minutes to keep the assembly line ticking along smoothly.

The key to operations at Okazaki is a computer printout from Mitsubishi's Tokyo head office detailing the number and types of cars to be built on a given day. This is broken down by the in-plant computer system into a complex programme which will ensure the delivery of the right components for the right model at each point along the production line. The computer also issues instructions to the 90-odd robots which perform dirty or dangerous jobs instead of human workers.

At the final station on the main assembly line a computer terminal produces a check sheet for each car as it enters the inspection process that precedes delivery to the motor pool.

Although Okazaki is technically capable of producing four different models on its single production line, at present it builds around 100 variants of two basic cars—the four-door Galant and the smaller Mirage. Production is running at less than full capacity because of "obstacles" in some of the company's overseas markets and will continue to do so in the short term. This apparently makes no difference to the standards of concentration and creativity required from the 1,100 production line workers who form the backbone of the Okazaki operation.

A high school graduate in his late twenties with average monthly earnings (excluding bonuses) of 220,000 yen (£470), the "typical" Mitsubishi worker stands among the elite of Japan's blue collar workforce. Everyone on the assembly line is "expected" to produce three proposals per month on ways of improving his own part of the assembly process. No one may drink during working hours and regular compulsory jogging takes place during some lunch breaks.

Quality control circles (or Kyushi circles as the Japanese call them) are an integral part of the Mitsubishi work system and exist at all levels, not just on the shop floor. The manager of the Okazaki plant attends a circle meeting once a month with the plant's six divisional chiefs in order to consider ways in which the bosses might improve their work performance.

Each head of division presides over a similar meeting (held once or twice a month) with the section heads for whom he is responsible, and section heads in turn chair circles attended by foremen. Below this "superstructure" come the "basic" circles for rank-and-file workers. These meet four times a week for a total of two hours and are attended by an average of 14 workers each.

Three kilometres away from Okazaki at the Aichi factory of Tachikawa Spring Company a rather different atmosphere prevails. Tachikawa is 95 per cent dependent on Mitsubishi for the sale of its interior spring car seats and employs about 170 workers, but the management has been having a hard time keeping everyone occupied whenever production has slowed down at the main Okazaki plant. It pays 490 yen per hour to "part time workers" (many of whom are from local farming families) and estimates the average age of its full time machine operators at 39—about 11 years older than that of the Mitsubishi assembly workers.

Many of the workers at Tachikawa originally came from a neighbouring textile plant which was operating well below capacity in the late seventies, but some of these have since returned to their original work. Mitsubishi Motors Corporation acts as a "referee" between Tachikawa and the textile company when there is any question of transferring workers between the two plants.

Tachikawa Spring is connected to Okazaki by a telephone facsimile system which provides information at five minute intervals about the progress of operations at the main plant and the types of seats to be included in the next delivery. Every 25 minutes a truck leaves the plant with approximately 16 car seats of the types specified by the Mitsubishi computer.

Tachikawa itself keeps a half day's stock of completed seats. There is no room for more and the company lacks funds to buy land from local farmers on which to build a warehouse. A strike at Tachikawa (or at any of Mitsubishi's other 129 suppliers) would paralyse the Okazaki plant within hours and cost Mitsubishi dear, but the point is purely hypothetical. Strikes "do not happen," according to one of the Okazaki plant managers, and the fear that they might is something which fails to enter into Mitsubishi's philosophy of car production.

A BREAKTHROUGH looks imminent in the relationship between Mitsubishi and Chrysler's Corporation, in the U.S.. Currently, the link is based on Chrysler's small shareholding in Mitsubishi and the supply by the Japanese car maker of certain of its models which Chrysler markets in the U.S. In future, the links may be broadened by Mitsubishi co-operating with Chrysler in the supply of technical and productivity expertise. Mitsubishi's Okazaki plant, described in the accompanying article, is probably the best example of the car maker's production technology.

Why technology is a matter of strategy and not just research

BY CHRISTOPHER LORENZ

CONCERNED about the pace of technological change and its impact on the competitiveness of his company, the chief executive of a U.S. office equipment manufacturer called for an assessment of its research and development activities. Among the questions he asked were "How much should we be spending on R and D?" and "What emphasis should we place on Research, rather than Development?"

Instead of directing his attention at the R and D function in this way, he should have fired a battery of questions about his corporation's overall business strategy, such as those shown in the table. For the real issues at stake were strategic, not merely functional.

This was one of the central messages to emerge from a seminar on the Strategic Management of Technology given in London last month jointly by Arthur D. Little (ADL), the consultancy, and INSEAD, the European Institute of Business Administration.

Speakers also warned of the dangers of over-investing in well-known and mature technologies at the expense of those which would have a greater competitive impact, and cautioned against the temptation to confuse technological leadership with being first into the market. As part of the seminar, ADL made a detailed presentation of its methodology for technology management.

A keynote to the whole discussion was that technology is having an increasing effect on most businesses—even those in industries which are not technology-intensive—and can be used to push competitors out of the market. Yet few companies integrate technology into their strategy formulation process, argued Kamal Saad of ADL.

Instead, they treated technological choices as tactical decisions which were largely the concern of the R and D department or of the separate business units, rather than as strategic decisions of central concern to the corporation as a whole.

As a result, warned Saad's colleague Michael Younger, companies frequently formulated R and D projects, manufacturing programmes and marketing plans in isolation from each other.

This tendency of top management to leave technological decisions to the specialists was dangerous, said Younger. "For one day management may find that the corporation is bound by technological choices made without sufficient consideration of their strategic implications."

Younger outlined six areas of corporate responsibility in the management of technology, suggesting a detailed way of handling each of them. The six were:

1—The corporation must manage its array or portfolio of technologies to exploit synergies;

2—It must develop or acquire new technologies;

3—It must allocate technological resources;

4—It must ensure an effective interaction between its technology function and other functions of the corporation;

5—It must monitor external technological developments for business opportunities and threats;

6—And it must balance its technological risk portfolio.

WHAT THE CHIEF EXECUTIVE SHOULD HAVE ASKED

What is the role of technology in our businesses?
How competitive are we in technology?
What are our technological objectives and strategies?
Are they consistent with our business objectives and strategies?
Is our allocation of technological resources consistent with our strategies?
Do we manage our array of technologies to exploit synergies?

On the allocation of resources, Younger accused the Eurpean steel industry of having wasted resources by investing heavily in mature technologies, while falling behind its competitors in direct reduction techniques. Another common mistake—which he suggested EMI had made on its ill-fated scanner programme—was to fail to take account of the "investment threshold" of each technology, that is the level of funds and effort below which no useful result can be achieved.

Over-investment in mature technologies and under-spending in more significant ones arose from a confusion between "base" and "key" technologies, suggested Dr. Tom Sommerlatte, of ADL's Wiesbaden office. A base technology is common to most industry participants and to most products of a business. Though essential, it is no longer critical to competitiveness because of its wide availability. So continuing high levels of investment may not be justified, since they will do little to enhance one competitor's position.

To a particular electronic terminals manufacturer, for example, the base technologies were integrated circuits and keyboards, whereas the key technologies were: applications engineering techniques; 8-bit microprocessor applications technology; and manufacturing process technology for the high-volume assembly of complex equipment.

One of the reasons for this confusion was that the strategic character of technologies changes over time, Sommerlatte pointed out. As a technology matured, its potential impact on competitive position diminished, either because it was displaced by a newer technology, or because everyone had mastered it. This process of maturing might take a decade or only a few months, depending on the industry and the particular technology concerned.

A third category of technologies, which ADL calls "pacing," are in an early stage of development and may eventually oust some of the currently "key" technologies. In 1980, one example was the way in which very large-scale integrated circuits were just starting to be used in data terminals, but were expected soon to replace the current 8-bit microprocessor chips.

The somewhat different confusion between companies which are "technological leaders" and those which are first into the market with innovations was exemplified at the seminar by IBM. Though a technological leader in its industry, with the capability to be the first to master new technological developments, IBM often adopted a "second-to-the-market" approach, suggested Jean-Philippe Deschamps, from ADL's subsidiary in Brussels.

By contrast, the first-to-market approach was usually adopted by competitors looking for a technological "niche"—a market segment where they can build a reputation for innovation which protects them from the technological leader. Deschamps cited as examples two of IBM's relatively specialised competitors, Datapoint and Wang.

The reasons why IBM and other leaders often adopted a second-to-market approach were as follows, Deschamps suggested:

- They knew that the market would be waiting for their entry anyway, so they could afford to protect their current business and investments;
- Technological leaders cannot afford the risks associated with rushing an innovation to the market. They must take time to be right;
- They are often able to leapfrog and come up with a better product that will make the first innovation obsolete;
- By not rushing to the market, they can afford to focus on compatibility, standardisation and costs, which can make the difference at a later stage.

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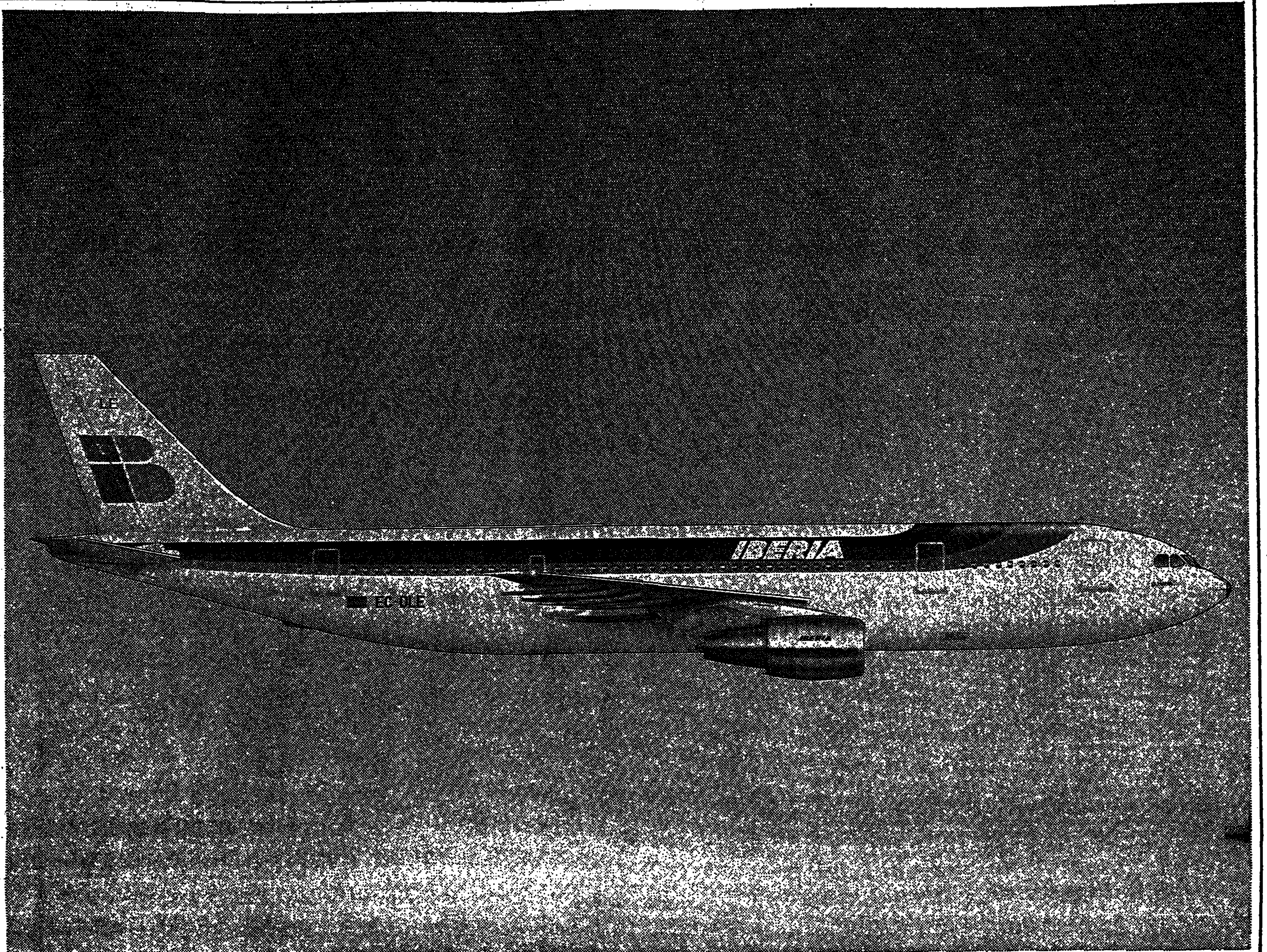

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LOMBARD

Swiss lessons on what to avoid

BY SAMUEL BRITTAN

IT has recently been fashionable to hold up Switzerland as an example to be emulated by other countries including Britain. *There is, however, a* strong case for turning the argument on its head and suggesting that Swiss experience is an object lesson in what to avoid.

Between the autumn of 1977 and the autumn of 1978 there was a run into the Swiss franc, very similar to that experienced by sterling more recently. This was the period of greatest dollar weakness and greatest outside criticism of President Carter's financial and energy policies. Switzerland bore the brunt of the flight from the dollar. For not *only did* the Swiss franc appreciate against the dollar: but it rose by over 25 per cent against the mark—the exchange rate most closely matched by the Swiss business community. As in Britain the appreciation was accompanied by a large increase in the demand for Swiss francs not only by overseas holders, but also by the Swiss *public.*

Appreciation

The Swiss National Bank reacted by *abandoning* its monetary targets and intervening in the foreign exchange market to reduce the value of the Swiss franc—which by early 1979 had lost most of its earlier appreciation against the mark. The Swiss could apparently afford to do this, because their impressive record of price stability allowed them to take *domestic risks to stabilise* the exchange rate.

Two-and-a-half years later the results of this support operation do not look so good. Although Swiss monetary growth was brought down again in 1979 and 1980, the inflationary impulse has persisted. As the latest Amex Bank Review points out, the Swiss franc has recently been particularly weak against the U.S. dollar and the Swiss inflation rate is no longer the lowest in Europe. The six months annualised rate up to March was 6.3 per cent, compared with 5½ per cent for Germany.

The Swiss inflation rate may seem enviably low by British, *American or French standards* —let alone Italian. But the point to remember is that the Swiss inflation rate was zero at the end of 1978. By Swiss standards there has been a highly inflationary change of gear.

In terms of overall policy the British Government has rejected the path taken by the Swiss in 1978. The siren voices of those who wanted an exchange rate target to override the monetary one were ignored. The advocates of a backdoor devaluation by means of British membership of the EMS were repulsed. And a tight Budget was introduced to reinforce monetary policy.

Parallels

But if one looks at actions rather than words the parallels are more ominous. The British Treasury has indulged in "base drift." That is to say it has erected a *new* monetary target on the basis of a total outstanding stock of money swollen by the overshoot in 1980-81, when sterling M3 rose by 20 per cent compared with a 7 to 11 per cent official target.

It may be that most of the excess can be explained away *by the once-for-all adjustments* given in the Financial Statement. But Swiss experience provides a warning. For with the drop in the franc and the economic upturn, the demand for domestic money balances has fallen off; and a growth of only 4 per cent in M3 has supported in 1980-81 a growth of nominal Swiss GNP of 10 per cent.

The slight reacceleration of British inflation in March and probably April is not yet cause for worry. This reflects largely *the Budget, turn-of-the-year* OPEC price increases and similar factors. But there are two clear dangers to watch. The trade-weighted sterling exchange rate has already fallen by 6 per cent from its January peak. The new London Business School Forecast release suggests that the UK is emerging from recession ahead of most main industrial countries and that this could lead to a weakening of the current account and further downward pressures on sterling which would, in my view, deal a blow to the anti-inflation strategy.

At the slightest sign of this happening the monetary target should be switched to the lower *end of the present 6 to 10 per* cent range and an opportunity taken to claw back some of the 1980-81 overshoot. Otherwise the pains of recession may have been in vain.

New wines from the New World

THANKS chiefly to the development of its wine industry, but at least due in part to the fall in the dollar, California wines have become increasingly available here—even fashionable.

The wine served blind at a tasting or at a sophisticated wine dinner is more likely than not to be a California Chardonnay or Cabernet-Sauvignon. Marks and Spencer are selling Guimarra wines at £2.29, the Victoria Wine Company those from Beringer at between £3.15 and £3.89; and few traditional merchants' lists are now without some representation. Why haven't we heard of them before?

The short answer is that until recently most of the vineyards and wineries did not exist, and those that did were not interested in trying to export wines at a time when the dollar was riding too high to make them competitive with European wines.

Yet the American wine industry has a respectable history from early in the last century. There may be those who remember, as I do, the advertisements *for Big Tree* Burgundy, with a couple driving a cart through a "tunnel" in the trunk of an enormous redwood tree.

Prohibition more or less stopped all but the producers of wine that nominally at least was destined for the altar. Beaulieu, founded in 1900 by a Frenchman, Georges de Latour, was one of these, and under the direction of a famous Franco-Russian winemaker, André Tchelistcheff, *was one of the* first to return to normal production in the Napa Valley, which opens up to the north of San Francisco Bay. Celebrated chiefly for its Cabernet-Sauvignon, this has been sold by Averys of Bristol for the last 20 years.

In 1969 the estate was bought by the big Heublein company. At that time there were only around 20 estates in the Napa Valley, the most prestigious, best-known California wine area, though its primacy would be challenged by its neighbours in the Sonoma and Alexander Valleys, and the Santa Cruz Mountains, to the south of the city.

Today over 100 are in the Napa alone, and they are still being planted, the latest announced only a few weeks ago being a 180-acre plot on the top of the thickly forested valley mountainside, to be developed by the Woltner owners of Ch. La Mission-Haut-Brion, the celebrated Bordeaux Graves red.

The adjoining Sonoma Valley has 78 wineries, and in the last five years the total throughout California has risen from 344 to 470.

The "fury of planting" deplored and ineffectually resisted by the Intendants of Bordeaux in the early 18th century has certainly taken over in California. An acre of well-planted *vineyard today costs* between $18,000 and $25,000.

Sterling Vineyards, whose beautifully designed white winery on a hill in the middle of the Napa Valley is described as Greek Island or Moorish according to taste, cost, it is said, $3m in 1971. Developed by two partners, one of them English, it was sold to Coca-Cola in 1977.

More recent still, with only its first vintage of 1976 Cabernet-Sauvignon yet on *sale,* Jordan, built in the Alexander Valley in what may be described as the "chateau-style," is quoted as having cost $17m.

WINE

BY EDMUND PENNING-ROWSELL

The winery layout is impeccable.

Yet, although a good deal of money has oiled the winery wheels of some, though by no *means all,* estates, it is the technical knowledge, the energy and above all the enthusiasm that have created in an extraordinarily short space of time so many wines of distinction.

One may dismiss the much-publicised Paris tasting in 1976 when the Californians "beat the French" (who were not fielding their first eleven before judges who mostly favoured "oaky" wines), but it was a challenge, and there is every reason to believe that as the vineyards grow older the wines will improve further. I sampled a remarkable Zinfandel — California's chief claim to a near-native grape, though it is probably Italian in origin—from 58-year old vines.

To the visitor, the enthusiasm and plain speaking is engaging and infectious. Growers discuss their problems with each other, and are not afraid to admit short-comings and uncertainties to outsiders. It is hard, though unfair, not to contrast this with *what one may expect in Europe;* unfair because the European fine wine growers experienced their teething troubles long ago, but in a far less technically advanced *age,* with fewer resources, an unreliable climate, and often long periods of economic depression.

The California wine industry is booming, and it is scarcely an exaggeration to say that every bottle is sold. This obviously engenders a spirit of confidence and enterprise, which could change if a depression set in and/or over-production developed. The latter might happen, for while the "fashionable" areas around San Francisco are filling up with the rather unkindly named "boutique wineries," there is plenty of suitable vineyard land to the north and south.

This is one of the differences between the leading vineyard areas of Europe and California. In the former soil and situation are the dominating factors. More often than not a fine southern exposition, to catch the maximum sun-heat possible, is essential.

In California soil appears less important than technical skill, and it is lack of rain and water that is the problem. It is rather a shock to the newcomer to see irrigation, though often only *drip irrigation, in important* vineyards. Yet it does not rain at all from about now until the autumn.

Last year, after a cool summer, a fortnight of torrid weather in September ripened the grapes, as it were, overnight and caused great problems for wineries handling half-a-dozen or more varieties of wine. Some excel*lent vineyards there enjoy* a northern exposition.

One result of this heat is California's chief problem: many of the wines are too high in alcohol. The strength has to be put on the label, but as a tolerance of 1½ degrees is permissible, and the tax is higher over 14 degrees, a little scepticism may be allowed over the printed figures.

Although the strength of Italian wines is given on the label, and before long this is likely to happen on all EEC wines, we in Britain are not very degree-conscious. We do not always realise that a degree either way can make quite a difference. One can drink a bottle of 10-degree Moselle without undue effect, but not a white burgundy at 13 degrees. In California I drank a table wine *as high as 17 degrees, and* it had a "porty" taste, as did quite a number of red wines at strengths of around 14 degrees.

This is partly, I believe, the result of the American tradition of hard-drinking. To encourage dry-martini drinkers to change to wine the latter had to be powerful—bigger is better. *However, with the trend* turning against spirits and towards wine, there may be less incentive to make high-strength table wines.

I was assured by no less an authority than Mr. Tchelistcheff, still highly active in his 80th year, that 12-degree wines (the same strength as fine claret) could be made from perfectly ripe grapes without losing quality; but it would be some time before this happened.

The other special characteristic of California wines is their oakiness, in some cases derived, according to some evil reports, from oak essence and chips in the cask. No doubt a good many wines are over-oaked by European standards, though it happens in white burgundy too, but this too is said to be on the decline, and is the subject of animated discussion. Indeed no final verities have been established for most California wines, which I will deal with in more detail in a further article.

Mr. Penning-Rowsell has been made a Chevalier of the French Ordre National du Mérite, for his services to French wines.

Chester will be Shergar's test

RACING

BY DARE WIGAN

TODAY IS the beginning of the Chester spring meeting. It takes place on a circular course by the north bank of the River Dee, where spectators watch from the ancient city's walls. Today's feature is the Chester Vase (3.45), a group III race of 1½ miles, which Michael Stoute has chosen as the preliminary Derby test for the Aga Khan's colt Shergar.

Shergar is a bay colt by Great Nephew, the sire of Grundy who traces back to Mumtaz Begum, the dam of Nasrullah. He is co-favourite at time of writing for the Epsom classic, following his annihilation of Kirtling in the Guardian Trial Stakes at Sandown 10 days ago.

It may be argued that the opposition was not particularly formidable but neither does it appear to be this afternoon. Provided Shergar handles the sharp bends I expect him to win easily.

The draw at Chester almost invariably exercises a strong influence in the sprint races. With a run-in of only 250 yards, horses drawn among the low numbers on the inside of the track hold a distinct advantage —provided, of course, that they break fast.

Heavy Weapon, who made good use of a favourable draw when making all the running to win at Doncaster on the first day of the season, is drawn six in the Prince of Wales's Handicap (4.15) and will be hard to catch.

Jester, a colt by Song, trained by Pat Rohan at Malton, though unruly in the paddock, defeated Chris's Lad at the Craven meeting at Newmarket. Chris's Lad endorsed the form by winning at Newmarket last Thursday. *The Primate,* a *grey* colt by Godswalk, who has come over from Mick Connolly's stable in Co. Kildare, is the danger to him.

Magikin, a convincing winner over a mile at the Newmarket Craven meeting, is likely to be even better suited by the extended 1¼ miles of the Grosvenor Stakes (2.45).

Sacrilege, bought for 30,000 guineas at the December sales as pacemaker for last year's St. Leger winner Light Cavalry, may well be capable of carrying 8st 11 lbs to success in the Lasky's Hi-Fi Handicap (3.15).

CHESTER

2.15—Jester
2.45—Magikin**
3.15—Sacrilege*
3.45—Shergar
4.15—Heavy Weapon***
4.45—Revocation

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S 836 3161. CC 240 5258. ENGLISH NATIONAL OPERA. Tomor & Fri 7.30: ARIADNE AUF NAXOS. Thurs 7.30: ANNA KARENINA. Sat 7.30: BARBER OF SEVILLE. 104 balcony seats avail on day.

COVENT GARDEN 240 1066 'S' (Gardencharge CC 836 6903) 65 amphiseats avail for all perfs from 10am on the day of perf. THE ROYAL BALLET. Ton't at 7.30 The Sleeping Beauty in the presence of HRH The Princess Margaret, the Countess of Snowden. Sat at 2.00 & 7.30. Mon at 7.30 The Sleeping Beauty. Tomor & Thurs at 7.30 Isadora. Fri at 7.30 The Dream, A Month in the Country, La Fin du Jour.

SADLER'S WELLS THEATRE, EC1. Tel. 01-837 1672/1673/3855. Credit Cards 10 am to 6 pm 01-278 0871. Group Sales Box Office 01-379 6061. Tonight until May 16 THEATRE DU SILENCE. Ballet Contemporain. Evs. 7.30 Sat Mats 2.30. Ton't, Tomor, Fri, Sat (eve) Changing Steps/Pawa/Le Cordon Infernal/ Avalanche/en Partant de. Thur. Sat (Mat) Pieces Froides/en Sol/New Work/Pas de Onze. Tkts £1 (Mat) to £7.

THEATRES

ADELPHI. S. CC. 01-836 7611. Evs. 7.30. Sat. 4.00 & 7.45. Mats. Thurs. 3.00. TONY BRITTON, JILL MARTIN, PETER BAYLISS and ANNA NEAGLE in MY FAIR LADY. Now booking through to October. For group bookings telephone 01-836 7358 or 01-379 6061.

ALBERY. 01-836 3878. CC bkgs. 379 6565. Grp. bkgs 836 3962 or 379 6061. Evs. 8.00. Thurs. Mat. 3.0. Stalls from £2.90. Sat. 5.00 and 8.15. Sian Phillips, Denis Lawson (Most Promising new Actor, DRAMA AWARD 1980), Rodgers and Hart's musical PAL JOEY.

THEATRES

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CINEMAS

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 9.05-11.55 For Schools, Colleges. 12.45 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 The Flumps. 2.00 You and Me. 2.32-3.00 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News of England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 Godzilla. 4.40 The Record Breakers. 5.05 John Craven's Newsround. 5.10 Children of Fire Mountain. 5.40 News. 5.55 Nationwide (London and South East only).

6.20 Nationwide.
6.50 Rolf Harris Cartoon Time (London and South East only).
7.20 Three Girls for Europe.
7.50 The Tuesday Film: "Death Among Friends" starring Martin Balsam.
9.00 Party Political Broadcast by the Conservative Party.
9.05 News.
9.30 "The Man of Destiny" by Bernard Shaw.
10.30 Jailhouse Rodeo.
10.30 Platform One: Power and Influence in Britain.
11.50-11.55 News Headlines.

All Regions as BBC1 except as follows:

Cymru/Wales—5.10-5.40 pm Billidowcar. 5.55-6.20 Wales Today. 6.50 Heddiw. 7.20-7.50 Pobol y Cwm. 11.50 News Headlines, News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 6.50-7.20 Sorry! 9.00-9.05 Party Political Broadcast by the Scottish Conservative Party. 11.20 Current Account. 11.50 News and Weather for Scotland.

Northern Ireland—10.38-10.58 am For Schools (Ulster in Focus). 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 6.50-7.20 'Bout You. 10.30 Lifelines. 11.00 Music After Mao—Ashkenazy in China. 12.00 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 6.50-7.20 East (Norwich)—The Pace-setters: Midlands (Birmingham) — Buying Time: North (Leeds)—Search for Excitement: North East (Newcastle) — Teacher: North West (Manchester)—Dodd on his Todd: South (Southampton) —*Talking Sport:* South West (Plymouth) — The Attic Archives: West (Bristol) — Day Out (1). Wells.

BBC 2

6.40-7.55 am Open University.
10.30 Supervisors.
11.00 Play School.
2.00 pm Racing from Chester.
4.50 Open University.
6.55 The Great Egg Race.
7.25 Mid-Evening News.
7.35 Shakespeare in Perspective.
8.00 Hindsight.
8.30 Hooked!
9.00 Crystal Gayle in Concert.
9.45 Boom Boom .... Out Go the Lights.
10.15 Top Gear.
10.45 Party Political Broadcast by the Conservative Party.
10.50 Newsnight.
11.35 The Old Grey Whistle Test.

BBC2 Scotland Only: 10.45-10.50 pm Party Political Broadcast by the Scottish Conservative Party.

LONDON

9.30 am For Schools. 12.00 Cockleshell Bay. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 2.45 The Spoils of War. 3.45 Square One. 4.15 Five Magic Minutes. 4.20 The Moondogs Matinee. 4.45 Ace Reports. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Looks Familiar.
7.30 Charlie's Angels.
8.30 Thicker Than Water.
9.00 Plays for Pleasure.
10.00 Party Political Broadcast by the Conservative Party.
10.05 News.
10.35 Coronation Street.
11.05 "Do Not Fold, Spindle or Mutilate," starring Helen Hayes, Myrna Loy and Sylvia Sidney.
12.25 am Close: Sit Up and Listen" with Alec McGowen.

All IBA Regions as London except at the following times:

ANGLIA

ATV

BORDER

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Talkabout, with Adrian Love. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

VHF Radios 1 and 2: 5.00 am With Radio 2. 8.00 Life is Nothing Without Music (S). 9.00 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 David Hamilton (S). 2.00 Ed Stewart's Request Show (S), including Racing from Chester. 4.00 Much More Music, with David Symonds (S). 5.55 Party Political Broadcast by the Conservative Party. 6.00 John Dunn (S). 8.00 The Cup (programme to celebrate the 100th F.A. Cup Final). 9.00 Glamorous Nights (S). 9.55 Sports Desk. 10.00 The Arthur Askey Variety Show. 11.00 Brian Matthew with Round Midnight, including 12.00 News. 2.00-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 ...

RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 4,560

ACROSS

1 Batting wonderful to sum up (2, 4)
4 Scandalous standard talk (8)
10 Not many join strong minority (6, 3)
11 Senior occupant beheaded (5)
12 Instrument not telling truth to auditor (4)
13 A budding minister may have to do as he's told (4, 6)
15 Distress this beginner with *foreign currency (7)*
16 Straw for drinking to dupe (6)
19 Way to chief formality (6)
21 Old king turning vehicle inside ancient craft (7)
23 Hamburger dignified by language (4, 6)
25 Something on foot producing inflation (4)
27 Tower of strength in electricity supply (5)
28 Exciting return to catch baby African (9)
29 Complete part of washing up for photographic use (3, 5)
30 Want daughter to land (6)

DOWN

1 I am joining doctor behind sacrifice (8)
2 Reckon there's one part of sum wrong (6, 3)
3 *Crazy coal (4)*
5 Warley's drunken bar (7)
6 Continue with best time to speak for citation (2, 2, 6)
7 Confuse a dunderhead led *astray (6)*
8 The tailless incautious beat (6)
9 Burning to meet a sweetheart (6)
14 *Sailor brought up novel by native (10)*
17 Meeting place to buy Cockney bird? (9)
18 Kill with efficiency (8)
20 *Firm on strike seriously* affected (4, 3)
21 Willing to talk to spiteful hothead inside (6)
22 Formed in silence then copied (6)
24 Place in field channel (5)
26 Take a quick look they say at dog (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FINANCIAL TIMES

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THE ARTS

Hayward

Phillip King by WILLIAM PACKER

It is generally held that, in the world of the visual arts at least, the 1960s were wonderful years for us and that in sculpture, *in particular*, there were moments, indeed, when we seemed to lead the field. Those were brave days; and though this is not the time to discuss the wider generalisation, it is only fair to say that there is more than an element of truth in it. But, as with generalisations of all kinds, we do nevertheless find ourselves wishing that the truth were quite so simple.

A new, young generation of sculptors, produced it seemed in a moment out of Bryan Robertson's best Whitechapel hat, did indeed achieve and moreover sustain real distinction and much of the work of that time remains as impressive today. But no revolution ever comes unprepared; and from our present vantage point we recognise that what then appeared so fresh and new, so excitingly revolutionary, was, in fact, dependent upon the work not merely of one generation, but of two preceding it.

The point is made for us in *the happiest of ways. Phillip* King, now ARA and Professor of Sculpture at the Royal College, was one of the com*manding figures of the New Generation Sculpture Show* at the Whitechapel in 1965 and of the things he was making about that time, colourful, monumental, contradictory, the major items were for the most part snapped up by public collections, here and abroad; and quite right too. But so were the best works of his confrères, Scott, Tucker, Annesley, *Bolus and all*; with the inevitable and perhaps unfortunate result that his work and theirs has been collectively institu*tionalised*, shown always together, for ever fixed and characterised as the New Generation of the 1960s. To see any of it as part of a continuing personal history has not been so easy, whatever the interest excited by subsequent departures.

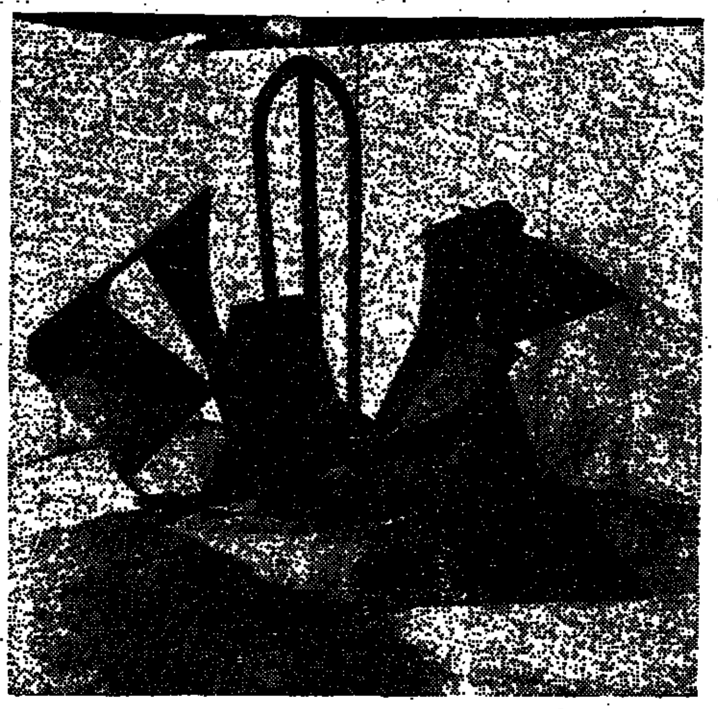
Now the Arts Council has put the Hayward entirely at King's disposal (until June 14) and at least we can see clearly just what he has done over the years and see it whole and what had seemed disparate and even arbitrary at times comes together, united in all its variety by coherent preoccupation and sensibility.

There is no formula to put to it, of course; but it does become clear that King has always been concerned not so much to deny *the physical gravity to which* sculpture is naturally subject, but rather to test it, and himself against it, like the juggler with all his clubs in the air at once. In a time when sculpture, as the phrase had it, was first coming off the pedestal and on to the floor, and truth to material and surface was still an issue, to paint a sculpture at all, let alone to paint it pastel pink, seemed perhaps more daring than it was intended to be. But colour was not with him; as it was with others, a means of material denial, but *rather the agent by which he* gave his work some air.

Later, as he broke open and dispersed the form, the space within, enclosed, became his main preoccupation, around which the physical matter of his work hovered and danced, great beams and lumps thrown into the air and held lightly, a feat now achieved not by colour, now brought in only upon particular occasion, but by structure and composition, formal dexterity.

The enclosure has always been habitable by implication, humane even at its largest in the sense that temples and groves carry powerful atavistic association; and in much of his most recent work, with its use *of material of all kinds* that has been worked in some way — scrap metal, slate, old timber, the reference to primitive *shelters, dolmens, chambered* tombs, is unmistakeable. King is a romantic of a kind, and a symbolist, for all the abstract quality of his work.

No-one would call the Hayward the perfect gallery, but it has seldom looked better than for this show.



L'Ogivale by Phillip King (1981)

Covent Garden

MacMillan's Isadora by CLEMENT CRISP

At the heart of MacMillan's *Isadora* is the moment when Paris Singer tells Isadora of the death of her children. Merle Park, the *dancing* Isadora, is seated centre stage; Mary Miller, the speaking Isadora, reclines on a chaise-longue by the proscenium arch. There ensues a duet for Park and Derek Rencher (the sensitive Singer) so intense in grief, so intimate, that it seems intrusive on our part to watch. There is nothing balletically conventional about the choreography; nothing remotely "beautiful" or — in *Dark Elegies* fashion — controlled. It is raw, heart-tearing, ugly as grief itself.

As it ends Merle Park opens her mouth in wordless agony. And, so strong the link that has been established for us between Park and Miller, the gaze travels towards the other Isadora, whose mouth gapes in the same way. Mary Miller cries *out the children's* names, falls to the floor in a pose reminiscent of one taken by Park, then drags herself across the stage screaming from the depths of her being, before two attendants carry her away.

There follows the bravura image of the funeral, with the figure of Duncan-Miller, swathed in trailing purple draperies and paralysed with shock, dragging past the long line of mourners in their gleaming black waterproofs. Only after this do we see Duncan dance again, two solos (grandly done by Park, *and by the pianist* Anthony Twiner) at last showing Isadora transmuting her suffering into the form most naturally expressive for her.

This vivid sequence suggests what MacMillan has striven to achieve throughout his new work. With defiant energy he has put his fist through the looking-glass wall of the ballet studio, which reflects back to dancers the sweating and obsessive image of their own bodies, in an attempt to let in a view of the outside world of the theatre.

Isadora, with its spoken commentary, its episodic structure, its deliberate exclusion of the conventional is, in its own way, as concerned with radical dance change as its heroine. The constantly dissolving scenes, the switches in mood, MacMillan's determination to go beyond the expected, endow *Isadora* with an energy that owes as much to its rebellious intentions as it does to Duncan's life.

I watched *Isadora* for a second time on Saturday night, and its merits seemed readily apparent. Surrounding the extra*ordinary passage of the child*ren's death is dancing which finds MacMillan entirely master of his means. Duncan's own solos are strikingly evocative of her art as we understand its impact on her contemporaries (rather than in the reconstructions that occasionally emerge in recitals); the duets which tell of Isadora's liaisons range from the insinuating pas de deux with the lesbian "Nursey" to an impassioned youthful interlude with Craig (Julian Hosking never better) which gives sexual frankness entire dance validity *and makes a terrible contrast* with the final view of the hennaed and blowsy Isadora at the mercy of the boorish Essenin.

There is much other dancing: an inflammatory tango with Ashley Page, sinuous and brilliant; a brief view of the Isadorables, those luckless girls who toured with Duncan, limpidly charming and led with lovely grace by Jennifer Jackson. The undulations of the Loie Fuller troupe, now identified as "in rehearsal" which explains both La Loie's antics (Laura Connor tearingly funny) and the fevered pursuit of Isadora by Nursey (Monica Mason) under the billowing silk, is part of a trio of comic scherzi.

The others are the Petit Ballet de Paris, whose dainty activities are dominated by Rosalyn Whitten's mad vivacity as Cupid, and the Spanish *Wadswa* troupe, whose personnel could with advantage be reduced by half, though without losing Sally Inkin's impetuosity as the Tornado of Old Seville. All this, in the context of MacMillan's imaginative vitality in mixing dance with what may conveniently be called "production," makes for exciting, brave spectacle.

The flaws in *Isadora* come with MacMillan's concern to show many aspects of Duncan's life and the problem has clearly been how much could *not* be *left out from that torrent of* incident. The profusion of scenes—not a comic-strip, but, perhaps, a tragic-strip—tends to weaken the artistic focus of the work. When many sections make their emotional points so well, those that are less dramatically crucial — a second Russian railway scene; a dream sequence in which Isadora, in labour with her third child, has visions of her previous lovers; an interlude with Essenin; the farcical seduction of Caplet—dissipate the momentum of the piece. It is one of the ironic benefits of the spoken text that expository narration, necessary in a conventional ballet, is no longer needed when Mary Miller's blazing incarnation of Isadora guides us across these bridge-passages. Because Duncan's life moved from one cataclysm to another, it must seem that pruning would help to stress Isadora's own headlong descent as her life roared out of control—form and material closely identified.

Because of the work's episodic nature, only Isadora is a developed characterisation. Merle Park and Mary Miller are superb at every moment. Miss Park has never seemed freer in movement, no more expressive —the dance after the death of her children all unshed tears— or light in touch in presenting the girlish Isadora of the first act. Miss Miller (who selected the texts she speaks) declares herself an actress of glorious power. Isadora complete down to the least detail of actual and metaphorical breast-baring; the rapture, the tears and the unquestioned bravery of the woman are marvellously there. The Royal Ballet's artists have risen spendidly to every challenge of this wildly daring work. I would like to think that audiences will do the same.

Leonard Burt

Merle Park

Elizabeth Hall

Susanna by RONALD CRICHTON

Handel's *Susanna*, a late oratorio of 1748, following on *the heels of Solomon*, is a peculiar mixture of English pastoral comedy and mighty, moralising choruses. On paper the idea seems unworkable. In practice, as the Handel Opera Society's performance on Saturday evening showed, it works perfectly well, because the music is so good. Of course, a small chorus helps to lessen the disparity. An old style performance with tiers of choral singers would make the contrast disconcerting. The (comparative) sauciness of the text, believed to be the work of the unidentified author of *Solomon*, can hardly have appealed to those with old-fashioned views about "sacred music."

The chaste Susanna, potentially insipid but strongly, admirable drawn in Handel's music, was finely sung by Wendy Eathorne, who in her maturity more than makes up in added weight and expressiveness of tone for what she has lost of her former, almost childlike, purity. Handel did not spare the two old men who spy on *Susanna bathing*. They are not comic figures but grotesques. The tenor Vernon Midgeley weakened his portrait of the First Elder, very neatly and clearly sung, by appearing to play for sympathy. As his bass companion Tom McDonnell, glowering and suffering from a heavy cold, used his temporary hoarseness to advantage: the voice almost disappeared towards the end of the evening but the spiteful words only gained.

Malcolm Smith, an ebullient counter-tenor with dancing rhythm, made the most of the role of Joachim, Susanna's husband. Lynda Russell gave an insidiously sensuous account of the boy Daaniel's "Chastity, thou cherub bright" (Miss Russell has original ideas about what young prophets wear: one couldn't help wondering what would have happened in the lions' den). Susanna's Attendant, who has two delightful numbers (one of which might go straight into a ballad-opera) was sung freshly but a little flutteringly by Linda Darnell.

The Handel Opera and Chorus was lively and intelligent: the stern words of their interventions do not preclude variety and vigorous polyphony. There were cuts and omissions, based one gathers on Handel's precedent when he revived the work. Even so, one would gladly sacrifice Daniel's first solo for the whole, and not only the first part, of Susanna's ravishing "Crystal streams" with its rippling accompaniment. Handel uses oboes sparely and a trumpet only at the end. The burden falls on the strings, but how brilliantly varied and enterprising their music is—not only in the air just mentioned but for instance in Susanna's "Bending to the throne of Glory" with Mozartian divided violas and a harmonic richness that suggests Elgar, or vividly illustrative in Joachim's "On the rapid whirlwind's wing." Those are only a few of the good

Wigmore Hall/Festival Hall

Christiane Edinger, Colin Carr by DAVID MURRAY

Rising soloists both. Miss Edinger and Mr. Carr appeared last week respectively in the *Wigmore Hall and in the* Festival Hall. One felt it should have been the other way round, for the sake of using their pre*sent strengths to best advantage.*

Miss Edinger, already a much-travelled violinist, was accompanied (sympathetically, but often too loud) by her father, the distinguished pianist Gerhard Puchelt. Her technical means are collossal, and matched by easy confidence on the platform; everything she does is musical—but altogether too much of a muchness. She began with Beethoven's Sonata Op. 30 no. 1, competent but impersonal. It was followed by a far more impressive account of the E major Partita of Bach (granted a curious preference for as much creamy *legato* as possible), assured and fairly gripping, and then a pedestrian Solo Sonata by Boris Blacher, memorable chiefly for a repetitive, irritating left-hand pizzicato through its slow movement.

By then, it was becoming clear that Miss Edinger has acquired some conventional expressive tics that crop up much too regularly: as she proceeded through Greig, Janacek and Ravel's *Tzigane one could guess* just how she would take the next passage, and disappointingly often one was right. Long *phrases* were treated *to* a mechanical swell, with a little rush just before the climax, and ended with an emphatic last *note; quick figuration usually* skittered, with incisiveness sacrificed to vaguely brilliant effect. Her obvious gifts deserve more self-critical use; meanwhile her power and her enormous tone would seem to make her a concerto-soloist *par excellence.*

The young cellist, Colin Carr, who gave a brilliant and incisively fresh Wigmore recital *not so long ago, appeared with* Brian Wright and the BBC Symphony in Elgar's Cello Concerto. He seemed over-awed — or perhaps it was just the circumstances of the Saturday concert, from which the con*ductor Rozhdestvensky had had* to withdraw at the last moment, presumably leaving rehearsals in confusion. (The programme was *hastily altered, and the standard* pieces offered got run-of-the-mill performances.) Bar some very small fluffs, Carr sounded *fully equal to Elgar's demands* — broad declamation, a clean Scherzo, some penetrating phrases in the Adagio; but he *requisite authority for a con*-was too shy to assume the certo so dominated by the solo instrument. That will undoubtedly come, but I think Carr is happier just now on the recital platform.

Elizabeth Hall

Gidon Kremer by DOMINIC GILL

Whatever the reason — the holiday season, the weather, ignorance, apathy?—it was not, I hope, merely a sign of our declining times that within the *space of five days* last week two Soviet artists who ought by rights have sold out any concert hall (and had them queueing for returns) should each play their recitals in the Elizabeth Hall to so many rows of empty seats.

The first (which I reviewed last week) was given by the pianist and Leeds first prize-winner, Dmitri Alexeev; and the second, last Friday, by Gidon Kremer — who is, quite simply, one of the most sensational violinists of a sensational post-war violinist generation. At least a thousand people missed, for barely more than the price of a cinema ticket, two priceless events; and at least a thousand people should kick themselves hard.

In his first half, Kremer gave the most exquisite performance I have heard (and one of the most beautiful I can imagine) of Stravinsky's *Duo Concertant:* a marvellous web of soaring, shifting colour, and closely focused detail. His Brahms G major sonata, too, was full of flashing, dappled things — a bright, full sound superbly modulated, and in the slow movement especially (as in the Stravinsky's second Eclogue) spun out with perfect evenness and concentration.

He was accompanied on the piano by his wife Elena Kremer: a partnership of haunting exactness and split-second response. Kremer plays with his whole body — the stance is a vivid illustration of the old axiom that the bow is an extension of the arm and shoulder—and the music moves with him. His account of Steve Reich's *Violin Phase* after the interval (Kremer's programmes are well known to puzzle, and, then delight, conservative audiences with their adventurousness) was a brilliant tour de force: of timing, of melodic and rhythmic vitality, of sprung-steel attack. *After a powerful performance* of Schubert's neglected *Rondeau brillant* in B minor (D895), the Kremers finished with a pair of encores that brought the audience to its feet—Charlie Chaplin's *Smile*, marvellous essay in *cantabile sostenuto*, done without a trace of side: and a sizzling, gloriously irreverent *Souvenir* by the Czech composer Kupkovic. If the house is not full when the Kremers next appear, I shall eat my tickets.

Rubens project

The city of Antwerp sponsors a centre to research into the work of one of its most celebrated sons, the artist Peter Paul Rubens. The work of the centre is embodied in a series of monographs, the *Corpus Rubenianum Ludwig Burchard in 27 Parts, named in honour of* the art historian on whose researches the centre is founded.

Publication of the *Corpus* started in 1969, but has been marked by irregularity of publication with a multiplicity of *publishers. Two years ago the* scholarly art publishers, Harvey Miller Publishers, and their distributors, Heyden and Son, took over the publication in the British and American markets and three more Parts appeared.

Now the two companies have taken over the production and publication of the entire project throughout the world. Working directly with the centre, the publishers intend to issue at least two Parts each year. *Appropriately, the first* Part just issued from the London based publishers is: *Part 24, The Costume Book, which deals with the famous* Sketch-book in the British Museum. Two more volumes are in production for 1981.

Imperial Group to back ballet training

The Royal Academy of Dancing has announced that the Imperial Group is sponsoring the Academy's training programme for young classical ballet students. This sponsorship ensures the Academy can continue it commitment to supporting children with special talent, many of whom will become the leading dancers of the future.

The sponsorship covers the entire training programme, from 10-year-olds up to 18-year-*olds, and is divided into three* sections.

Purcell Room

Suoraan by ANDREW CLEMENTS

The ambition of the group's directors, Richard Emsley and James Clarke, continues to grow. Three works new to *London* were originally promised for Suoraan's Purcell Room concert on Sunday and although one had to be replaced — "for reasons beyond Suoraan's control"—substantial works by Michael Finnissy and Xenakis still remained to be introduced.

Finnissy's fifth piano concerto was written last year for the Suoraan complement of flute, oboe, vibraphone and mezzo soprano: the *solo* part was played by Finnissy himself. Despite its *modest dimensions* the single-movement piece stretches its material—essentially delicate piano tracery over sustained, slowly-changing chords for the ensemble—over too long a time span. The work sags in the middle, picking up again only when the end becomes foreseeable; flute and oboe take over the arabesques and are tentatively joined by the piano. Yet there is a sense of careful shaping, of precise calculation of the textures: fewer approximations here, one guesses, than in some other *Finnissy works.*

The programme also revived Finnissy's *Mr. Punch*, his 1978 excursion into expressionist music theatre; slender and humourless, sustained here only by Josephine Nendick's lively mimicry. Xenakis likewise was generously represented. Apart from the first British performance of *Dikhthas* for violin and piano, Michael Finnissy gave his familiar version of *Evryali*, Christopher Redgate and John Harrod revived *Dmaathen* for oboe and percussion.

Dikhthas (1979) takes its title from the idea of a dual entity, a single character, with two *contradictory personalities. It is* thus another in Xenakis's series of confrontation pieces, the piano writing largely rhythmic and well defined, the violin given prodigal flights of vortuoso fancy (written initially for Salvatore Accardo) and incorporating fleeting, perhaps unintentional references to well known bravura showpieces.

Yet the most haunting work of the evening fell outside its main theme. Nancy Ruffer played Salvatore Sciarrino's *All'aure in una lontananza* for solo flute; a magical essay in harmonics, whistle-tones and gentle breaths, sketched on the tiniest musical means, yet beautifully shaped.

RUGBY by PETER ROBBINS

Planning pays off in Leicester win

RUGBY, of course, is essentially a physical game. But if one of its strengths is that it can be *played by the* athletic and the physically unskilled, then another is in the fascination of preparation and planning for the *big* occasion.

There is a curiously unique pleasure in pushing oneself to utter exhaustion either in training or in a match but there is also immense and profound satisfaction in the successful use of particular strategies and tactics.

Preparation has reached heights of sophistication that were unheard of 20 years ago. Players can see video recordings of the opposition, spies are sent to watch other clubs for detailed analysis, and the emphasis on coaching has grown.

Rugby has its traditional tactical clichés and, in common with other sports, the most widely accepted tenet is to place your strength on the opposition's weakness.

A greater challenge lies in successfully masking your own team's weaknesses. One of the great benefits of rugby is that the less gifted can hide behind and benefit from those who have the talent.

It is true that no one can pre-ordain the course of any match because one individual can, by his own outstanding play, destroy all fixed notions.

Knowledge of a particular player's skills does not necessarily imply the absolute antidote to *them. Anyone who* played against Peter Jackson or Gerald Davies knew full well that their one great skill was a devastating *side-step. It was* also well known by all his opponents that the late Arthur Smith would change pace imperceptibly. The *problem* was that in all three cases the timing of those particular actions could not be predicted.

Ostensibly, then, the John Player final on Saturday between Leicester and Gosforth wat a match between Leicester's *backs and* Gosforth's pack. It was not quite as simple as that and Leicester deservedly and for the third year running won 22—15. *It has* been a marvellous season for Leicester in this their centenary year, and they now keep the John Player Cup.

I regard this latest win as their finest achievement. As I have often said before it is the players who take credit for the performance but the structure of the Leicester club and particularly the intelligent approach by coach Chalky White has played an important part.

Leicester unexpectedly and successfully held Gosforth in the tight and gave a good lesson in quick inter-passing when they broke away from the strong Gosforth pack.

Gosforth's Bainbridge mopped up the line-out superbly and here Leicester sensibly concentrated *on destroying* that source of possession. It was with the same intelligence that Leicester brought Hare into the attack but *unfortunately* their back play was marred by the uneasy performance by Kenney at scrumhalf.

Cusworth had a mixed game and Woodward was never given so many poro passes. All the more credit then to Wheeler, Cowling and Redfern in the Leicester front row.

However, it was the collective efforts of the pack, notably Adey and Smith, that compensated for deficiencies at the line-out and in sheer physical strength.

It was also important that Dodge was in such good defensive form and that Hare kicked so well out of hand.

The vital period in this match was the 20 minutes after Patrick's sixth minute second-half penalty made the score 12—9 to Leicester.

Gosforth, with Roberts, Bainbridge, Butler and Anderson, began to assume some control when suddenly Leicester counter-attacked brilliantly and Barnwell *scored* a *vital try*.

Sadly for Gosforth Johnson never really settled in at fly-half so there was little scope *for the pacy MacMillan* and McDowell. It says much for Gosforth that they scored the final points and that Patrick, their *splendid fullback, should be* counter-attacking right to the last.

This competition, happily *retained by the RFU committee*, has suddenly gathered appropriate momentum.

CRICKET by TREVOR BAILEY

Heartening play observed at Lord's

WATCHING the first important match of the new season, Middlesex versus the MCC, and in the evening seeing England draw with a mundane Romania at Wembley certainly underlined one point.

Our cricket team have far more chance of beating the Australians this summer than our football team have of making a serious impression in the World Cup.

Alec Bedser and company should have been heartened by a number of things at Lord's. There were two innings by Gower; one innings from Gatting who in spite of a disappointing tour remains an excellent prospect; the bowling of Emburey; the promise of Cook; and the competence of Downton.

In contrast England manager Ron Greenwood *had little* to enthuse about at Wembley.

Picking a national cricket team is far easier than picking *a national football team, for* two reasons. First, success depends much more on leisured individual skill; second, there are *fewer candidates and* opponents.

Over a period quality batsmen *will inevitably* score runs and quality bowlers take wickets. In recent years the England selectors have not always been blameless. However, they can justifiably claim there has been a shortage of talent, a shortage due partly to the counties who provide the Test team signing on too many overseas cricketers.

This was illustrated in the *Middlesex* match. Merry looked an above-average country seamer. However, his opportunities for first-class cricket are *likely* to be limited because of the presence of Thomson from Australia and Daniels from the West Indies.

An XI containing five class batsmen, four bowlers an all-rounder and a keeper is bound to do well even if they have *never played* together before. This is not the case in football, where the eleven most talented individuals seldom if ever make the best team and the system used and understood is absolutely vital.

In soccer it usually takes time to build up that essential understanding between the players. That is why newcomers to the *England XI often fail* to make real impact.

The finest finisher will have problems scoring without the necessary service while inspired running off the ball is merely wasted effort if unnoticed by the man in possession.

In his efforts—hampered by injuries—to find England's most effective side Ron Greenwood has logically tended to pick from the most successful first division clubs (with the notable exception of Aston Villa).

This policy has a snag, though. The demands of Ipswich, Liverpool and Nottingham Forest, for example, have been heavy on their players so that by the end of a long and exhausting season they must have problems raising their game for yet another big occasion.

Could it be that less-accomplished performers and less successful clubs would be more *likely to provide the inspiration* needed for an international? Further, is this one of the reasons why Wales and the two *Irish teams have done so well?*

This week sees the start of the Schweppes County Championship and the John Player League. Middlesex, the holders, are likely favourites to retain their title. But there will be strong challenges from Surrey, Somerset, Essex and Sussex, all clubs which appear to have attacks capable of dismissing the opposition twice and which may wrest the title from them.

However, it is not easy to predict with any confidence for so much is likely to depend on two matters. Firstly, on Test calls of which there are six this year. Second, and even more important, on the pitches which are covered not being too good, so that it is nearly impossible to obtain that vital win without resource to artificial declarations.

The John Player League is even harder to predict, as Warwickshire showed last summer when they won it as a result of a positive approach and inspite of limited resources.

A good start to this competition, which builds up the confidence and interest of the team, helps enormously. I fancy Somerset but believe *Lancashire* and Yorkshire, both at 33-1, represent a most attractive bet.

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A bad way to aid Detroit

JAPAN'S AGREEMENT to hold back motor exports to the U.S. is bad in principle and likely to have only a limited effect on resolving the problems of the U.S. industry. The Japanese decision is supposed to be voluntary but, in fact, has been forced, by the proliferation of restrictive legislation before the U.S. Congress. The Reagan Administration, confined by election campaign promises, has been the uncomfortable intermediary in negotiations conducted by public statement.

The best that can be said is that the Japanese Government has defused a politically contentious issue and created a more congenial atmosphere for the talks which Mr. Zenko Suzuki, the Prime Minister, will be having in Washington this week. He will have a freer hand to deal with other troublesome difficulties affecting bilateral relations, like the level of Japanese defence spending.

The Reagan Administration has offered little leadership on the handling of the first major trade issue it has had to face. It has adopted a general stance in favour of open trading, but failed to translate that into a defined policy when faced with an immediate challenge. The international effects may be far-reaching.

Clarification

The European Commission has already asked both the Japanese and U.S. Governments for clarification of an agreement which holds Japanese car sales in the U.S. over the next 12 months to a level seven per cent lower than 1980 and which provides for Japan to take a specified percentage of the expected increase in the size of the market in 1982-83. Officials in Brussels have been quick to comment that the Japan-U.S. agreement may open the way for the EEC as a whole to negotiate a similarly restrictive accord. At the least, the West German opposition to the principle of constraints put in place by France, Italy and the UK will come under severe strain. Canada may take a similar stand to that emerging in Brussels. Protectionism has been given another fillip at a time when recession has made more imperative the need to keep markets as open as possible.

Of course, President Reagan has to contend with strong domestic political pressure on the imported cars issue. From his point of view the agreement with Japan is probably a small price to pay if it helps to calm the waters of Congress sufficiently to smooth the passage of his wider Budget proposals. But whether the agreement will have a marked effect on the chances for a revival in the fortunes of Detroit is another question. Holding back Japanese imports will not of itself make the U.S. car industry any more competitive, or encourage it to be so. There is no reason to suppose it will stimulate investment in the U.S. industry.

Rejected

Detroit's position has not changed in any fundamental way since the U.S. International Trade Commission in November rejected the case for import restrictions. The basic fact recognised then and applicable now is that the Japanese car industry has the product for the times, while Detroit has been caught napping by the change in market conditions caused by recession, the cost of credit and higher fuel prices. Detroit's ultimate prosperity depends on raising its productivity and designing products which will woo the American consumer away from attractive, high-quality imports. Restricting the number of imports will not necessarily turn the consumer back towards the purchase of American cars.

In any case, the U.S. industry will still have to face major competition from Japan. Early estimates coming out of Detroit suggest the domestic industry will be able to share this year about 200,000 unit sales which it would not have made in the event of unbridled Japanese competition. The number is of little significance in a market which last year absorbed some 9m units from all sources. The Japan-U.S. agreement, in short, is serious enough to be internationally mischievous but of no fundamental relevance to the future of Detroit. Yet it is necessary to guard against the possibility that the agreement may become permanent. The British case has shown how temporary relief can become indefinite protection.

Saving grace

However, it may have one saving grace. Political antipathy in the U.S. and EEC to Japanese export aggression in general, and to the success of its car industry in particular, is closely linked to the perception that Tokyo is not prepared to open its own markets to accept the degree of foreign penetration it has achieved abroad with its own products. If the agreement encourages the Japanese car industry to enter joint manufacturing ventures in Japan with foreign manufacturers, then this will be an indirect blessing. The talks Nissan is having with Volkswagen on the manufacture of Passats in Japan should not be isolated, but the precursor of more such deals. If Tokyo is not seen to be opening its markets then it must expect more and widespread pressure of the type it has received from the U.S. Congress.

Standards for accounting

THE STANDARDS used by accountants to analyse the financial positions of companies which they audit, may seem esoteric and specialist matters. However, the measurement of corporate health has a profound effect on business and investment decisions. Standards are therefore important to the public at large and not just to professional accountants. The report published today by the Accounting Standards Committee of the six professional accountancy institutes takes the need for "overt public acceptance" of accountancy standards as its point of departure.

Non-compliance

Furthermore, even after such standards are set, there is still too much leeway in Britain for non-compliance. The ASC's second fundamental objective, which is to create "a mechanism of inquiry, by a body of high standing in the community, into any significant cases of non-compliance" is essential.

If the ASC's objectives are to be achieved, the accountancy bodies and the generality of professional accountants will have to swallow some specific proposals which they may find unwelcome.

Firstly, the ASC strongly supports the setting of mandatory standards to deal definitively with controversial accounting problems. Although specific accountancy controversies are not mentioned in the report, questions such as the treatment of leasing, deferred tax, currency translation and pension liabilities, as well as the most important issue of all—inflation accounting—are still not fully settled. This is partly because of past resistance to mandatory standards from some parts of the profession.

Secondly, the ASC recommends that its own structure should be altered so as to include in the membership of the standards-setting body people other than accountants, who would contribute a different point of view and underline the responsibility of the accountancy profession to the public interest. As a corollary of this, the ASC feels that, while the professional accountancy institutes should continue to have the final say on the standards which the ASC recommends, they should take steps to "avoid the risk of being in conflict with the findings of the ASC, arrived at after due process of open consultation and debate."

Thirdly, it is argued that control of non-compliance cannot be left to the disciplinary procedures of the professional bodies alone. A panel should be established jointly with the Stock Exchange to ensure that listed companies depart from standards only when this is required to give a "true and fair view." This would put pressure on companies, as well as their auditors, to stick to standards. It would also represent a significant tightening of the present rule which allows departures from standards if these are deemed to be "inappropriate" to the circumstances.

Divisions

These reforms, and other related ones which the ASC recommends, may conflict with some long-standing traditions and with vested interests of certain groups of accountants or their employers. The accountancy profession is divided between independent auditors and preparers of accounts, working within companies. Naturally their attitudes to comparability and flexibility are not always identical. But as the ASC points out, unless the accountancy profession can resolve such conflicts and establish satisfactory procedures for self-regulation in the public interest, the possibility of statutory control will become harder to avoid.

ZAIRE'S DEBT PROBLEMS

A long journey to recovery

By Michael Holman, recently in Kinshasa

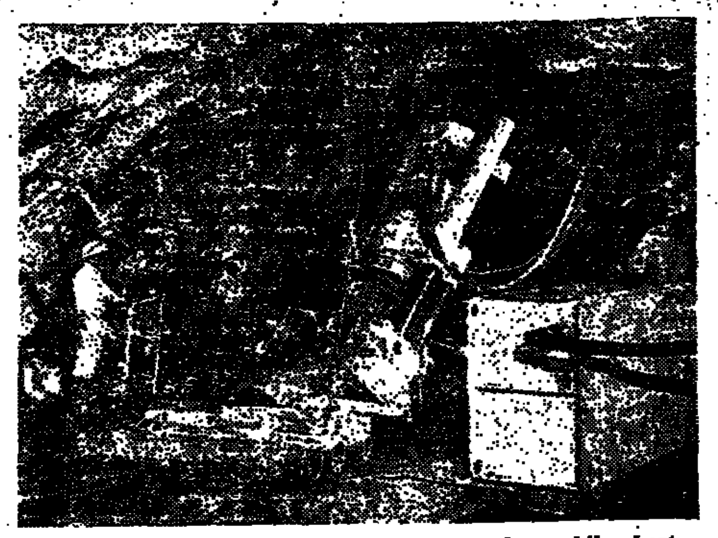
THE COLOUR has faded to a pale green, but the inspirational message on billboard in Lubumbashi, in Zaire's mineral-rich Shaba province, stands out alongside a picture of President Mobutu Sese Seko. "Gloire et honneur a l'homme qui a donne un ideal a la jeunesse."

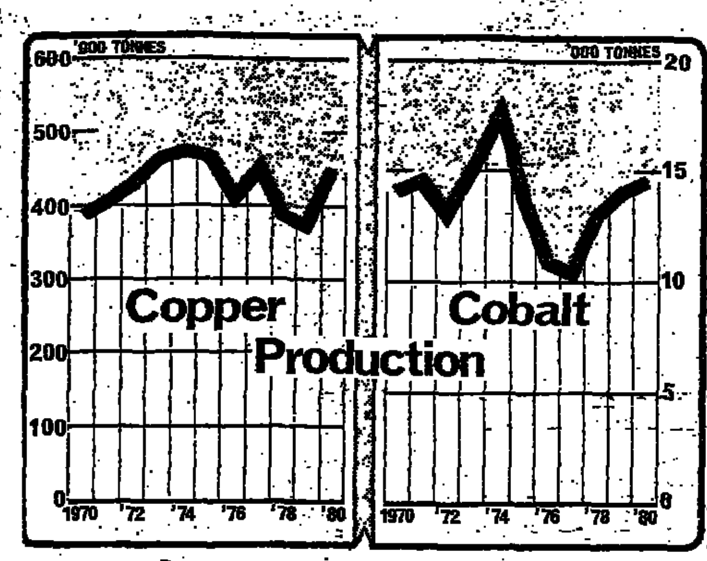
A thousand miles to the north-west in the capital, Kinshasa—the spending end of the Zaire axis—the billboard slogans have a more liturgical note, extolling "le guide" and "notre seul espoir." The President, reputed to be one of the world's wealthiest men, is not regarded outside the ruling Mouvement Populaire de la Revolution (MPR) as a model of probity. But in the 15 years since taking power as army commander, he has demonstrated that as a political survivor he is in a class of his own.

The past three years have been particularly trying. A succession of ad hoc Western financial rescue operations has barely kept afloat a major debtor of the West's banks and other institutions. Zaire is the world's seventh largest producer of copper and largest producer of cobalt (an important strategic mineral) and industrial diamonds. But its firmly pro-Western President now faces a challenge that will call on all his skills.

Zaire stands poised to reach agreement with the International Monetary Fund (IMF) on a three-year special drawing rights of 900m on its extended fund facility. The IMF imprimatur will in turn open the way for further rescheduling of Zaire's estimated $4.4bn external debt and—conceivably—fuel the slow journey out of the economic malaise that goes back to 1973-74.

But IMF intervention on this scale, with rigorous controls of Government spending and borrowing, is rather like taking the cure for bilharzia: that notorious water-borne disease in Africa caused by a parasitic worm. In the early stages, at least, the cure can be as debilitating as the complaint. President Mobutu, whose economic record over the years has been indifferent, may find it hard to convince the country's sorely-tried 26m inhabitants that they should keep taking the medicine.





Diamond mining in Zaire. World prices are low, while short-term prospects for copper and cobalt are grim.

Graham Lever

The President initiated a disastrous nationalisation policy in 1973-74, from which the country has not recovered despite the repeal of many of the measures. Soon after came the international rise in oil costs and the slump in copper prices which affects Zaire to this day.

Massive unco-ordinated external borrowing, often on tough commercial terms and poorly spent, laid the foundations of a chronic debt servicing problem which continues to plague Zaire. A rebel invasion of the vital Shaba mining town of Kolwezi in 1978 was only repulsed after French paratroops took over from the ineffectual Armee Zairoise.

For seven years, then, Zaire has been enduring the consequences of this combination of internal mismanagement and external blows. The fabric of the country has drastically deteriorated, with industry operating at around 30-40 per cent of capacity, social services declining, rampant inflation, and a currency black market three times the official rate. Imports in real terms are running at 45 per cent of 1974 levels, coffee and diamonds are smuggled on a massive scale, and a country almost self-sufficient in basic foods at independence in 1960 now imports over $200m a year of maize, rice, wheat and other essentials.

The list of measures by Western governments and institutions to help the Government restore the fabric is long and complex. But strategy since the Shaba jolt of 1978 has rested on four main thrusts:

1—They have introduced an expatriate presence in key institutions—the central bank, Ministry of Finance and customs department. That partly reflects a lack of international confidence in areas renowned for mismanagement and corruption, but it also gives support to local officials working against such influences.

2—Governments and banks have rescheduled external debts, currently standing at around $4.4bn. The "London Club" of bankers reached agreement on a 10-year rescheduling of $434m in April, 1980. There have been three meetings of the "Paris Club" of Government bilateral creditors. The last session in December, 1979, rescheduled $1.2bn of debt, and a fourth meeting will be held after Zaire reaches agreement with the IMF to discuss maturities falling due in bilateral debts between 1981-83.

3—Balance of payments and import assistance have been made available from a variety of sources, mainly trade partners, though on a limited scale which allows the economy to tick over. The most important institution is the IMF, and in August, 1979, Zaire reached agreement with the Fund for a $150m stand-by loan which was concluded—though not without hiccups—when the last tranche was drawn in March this year.

4—Western military forces continue to play an important role in maintaining stability. In the forefront is France, with 125 military personnel effectively in control of the 31st Parachute Battalion. There are 100 Belgian officers and men, some closely involved with the 21st Brigade, whose responsibility is the protection of Zaire's copperbelt.

According to diplomats in Kinshasa, President Giscard has assured President Mobutu that France will increase its military role if necessary.

The overall result of these measures is mixed. Given the accumulated damage and adverse international economic conditions, no one in Zaire is an optimist. But economists and diplomats point to several hopeful developments which they believe will be topped by the IMF agreement.

Last year Zaire went to great efforts to meet debt commitments, paying out around $500m. Of this, $425m went to official syndicated banks and the Paris Club members and Zaire is committed to reduce by $400m over the next three years its $500m of unguaranteed commercial bank arrears.

The recent visit to Washington by bank officials appears to have gone well and diplomats confidently expect the announcement of the SDR 900m programme this month. This then opens the way for the fourth meeting of the Paris Club and the World Bank-chaired consultative group.

Without re-scheduling, Zaire's 1981 debt commitments are put at over $800m. "At least half of that needs to be rescheduled," says one economist—although there is now a danger of commitments under former re-scheduling being revised once again. But it is thought that the U.S. will back Zaire's case in Paris.

Unfortunately for Zaire, external economic indicators are not in its favour. Short-term prospects for the state-owned Gecamines Mining Company, whose copper and cobalt provide 65 per cent of the country's export earnings, are grim. Although there has been a remarkable recovery after the Kolwezi disaster, officials express little hope for an early improvement of copper prices or substantial reductions in their cobalt stockpile.

Sales of this strategic mineral, used in the defence and aerospace industry, dropped drastically in 1980 to between 6,500 and 8,000 tonnes from the 1979 figure of 12,000. Sales for the first two months of this year are unofficially put at a mere 500 tonnes.

On the political front there are signs of tension. Exile opposition groups remain fragmented and military observers believe that armed rebels in Zambia and Angola pose no immediate threat. But the recent resignation, announced from the safe distance of Brussels, of the Prime Minister, Nguza Karl I-Bond, is one indication that all is not well. Twelve members of the National Assembly are under arrest, and political dissidents are receiving harsh prison treatment.

One difficulty for President Mobutu is that although he may have pleased his creditors in 1980, he had nothing tangible to offer his people, for whom life became even more difficult. Yet the belt-tightening must continue for a long time ahead. "The danger," said one diplomat, "is that more people will say 'you may be paying off foreign debts — but we are starving and out of work'."

LAST WEEK Zaire, the world's largest producer of industrial diamonds, made clear that it is pressing ahead with efforts to sell outside De Beers Consolidated Mines' Central Selling Organisation (CSO), which markets over 80 per cent of world production.

However, diamond prices are low and no major producer has successfully operated outside the CSO monopoly. President Mobutu's hard-pressed Government in the depths of an economic depression and desperately short of foreign exchange, can ill-afford a mishandled operation.

Zambia's diamond production, which has fallen from 13.5m carats in 1974 to an estimated 8-9m carats last year, is dominated by the state-owned Societe Miniere de Bakwanga (MIBA) operating in Kasai oriental province.

Of the diamond output, some 60-65 per cent is industrial quality, with the remainder classed as gems. The country's exports of 8.7m carats in 1979 were worth $93m, being 5 per cent of total exports.

Why Kolwezi's mines are still in trouble

BEHIND THE steel grilles on the shopfronts along Kolwezi's Avenue Baobab are most of the comforts of Europe. Wine and cheese from France, shoes from Italy, butter from Belgium, Black and White whisky, the latest "France Dimanche" and Barbara Cartland's "Des Fleurs pour mon Amour"—all are available.

Yet Kolwezi was once synonymous with mayhem and instability. Nearly three years ago, in May 1978, rebel forces moving in from bases in Angola took over the heart of Shaba province's copper and cobalt industry, which provides Zaire with some 60 per cent of export earnings and about 60 per cent of government revenue.

By the time French paratroops had recovered the town, nearly 1,000 people had died, including about 100 expatriate mineworkers and their families, and the city of 350,000 was a looted wreck.

Estimated losses to the state-owned Gecamines were $77m—though ironically the loss was more than made up by the trebling of cobalt prices, on the assumption that the supplier of 60 per cent of the world market was on its last legs.

The assumption was wrong. But it was a close shave. The rebels—for reasons never understood—had left plant and equipment untouched, and apart from flooding at Kamoto underground mine, installations were undamaged. But the 600 expatriates and families left en masse. Wooing them back—or finding replacements—was a major element in the recovery programme and today, of the total 1,000 expatriates employed by Gecamines just over a third are at Kolwezi, and the rest at Lubumbashi and Likasi.

The real impact on copper production was shown up in the following year's figures, when output fell to a 10-year low of 370,000 tonnes, though cobalt rose slightly to 14,000 tonnes in response to higher prices. But last year saw copper reach 426,000 and cobalt 14,500 tonnes. First-quarter figures for 1981 show copper up 12 per cent and cobalt 33 per cent, but officials forecast year-end figures will be about the same.

Despite the recovery, Gecamines faces a hard time. Poor copper prices and the end of the cobalt boom (at its peak the spot market topped $40 a pound) have left the company strapped for cash.

The current cobalt stockpile is unofficially estimated at 14,000 tonnes in Zaire, Belgium and in transit. Two months ago, Sozacom, the State mineral marketing company, cut its producer price from $25 to $20 a pound, and the price could well fall further.

Officials hope that the U.S. will buy 75 per cent of its cobalt stockpile requirements of 4,000 tonnes a year over the next five years from Zaire. But expansion plans first put forward in 1974 remain on the shelf and the emphasis is now on rehabilitation of existing plant.

What's bad news for Gecamines is bad news for Shaba. The company's role includes importing 150,000 tonnes of maize a year, mainly from South Africa, providing places for over 50,000 children in schools, and contributions to Government hospitals. Yet Gecamines cannot afford to cut back its social services in the country's key region, long neglected by central government.

MEN AND MATTERS

German unions show new mettle

THE CHARACTER of West German trade union leadership —alternatively seen as more docile or more realistic than that of Britain—is changing and Franz Steinkuehler, the metalworkers' organiser who made the decisive breakthrough in this year's wage negotiations, has become the model for the 1980s.

By chalking up another success, the 43-year-old Steinkuehler has boosted his status from that of a slick negotiator, whose critics tended to dismiss him as "too clever by half," to that of heir-apparent to the national leadership of IG Metall, the 2.7m-strong metalworkers' union.

It is difficult to say who has been more irritated by Steinkuehler's role in the recent pay deal—the employers or IG Metall's present leaders.

Wage negotiations in the industry are conducted simultaneously at several regional levels. The last thing the employers wanted was the Stuttgart-based Steinkuehler to achieve a settlement for his relatively-prosperous workers in South Germany that would set the pattern for other areas where the industry faces greater problems.

The union's chairman, Eugen Loderer, and other leaders who tend to regard the fast-talking Steinkuehler as too big for his boots, would have preferred to keep him in the background.

In the event, nothing turned out right for them. Pay talks in the state of Hesse broke down and the spotlight turned on Steinkuehler in neighbouring Baden Wuerttemberg. After a dramatic night drive to a secret meeting with the employers, he emerged with a deal worth more than 5 per cent. He was "not fully satisfied," he said. But it was generally recognised that no one else could have done better.

It was recognised, too, that the Wuerzberg policeman's son is more than just an agile bargainer, dedicated to pushing through the highest possible wage increase.

He typifies a new breed of trade unionist, still working within the old "social partnership" but facing new problems and tackling them with disrespectful eloquence. Significantly he led the first German strike since the war for improvements in working conditions rather than pay.

A tough and uncomfortable figure compared with the union "Old Guard" directly involved in the post-war reconstruction, Steinkuehler fits no convenient classifying slot. His attitudes are tempered more by his practical training as a master tool-maker than by any Leftist theories: his view of the industrial future governed not only by his trade union commitment but his position on the supervisory boards of companies like Audi-NSU and Daimler.

"Do you think all these Bank Holidays are their way of preparing us for unemployment?"

Poll card

Even for a politician, Matthew Parris displays a more than usual sensitivity to public opinion. It may be due to the fact that as a member of Margaret Thatcher's private staff he once caused an almighty political row by curtly informing a disgruntled correspondent that she was lucky to have a council house.

Or maybe it is because the Tories of Derbyshire West were moved to choose him to be their MP by a glowing account at his selection meeting of how he had rescued a dog from drowning.

No matter. So alert is Parris to the importance of understanding the public point of view that he has just spent his Commons research allowance on a Gallup poll of opinions on local government.

The pollsters found that three out of 10 did not know which political party controlled their local council; and that three out of five did not know the name of any local councillor. Parris's rather desperate conclusion is that Environment Secretary Michael Heseltine should take powers to control rate increases since he will get the blame for them in this week's elections.

Delight among some Labour MPs at the outcome has been dampened by the general political ignorance revealed. One or two had thought of following the Parris precedent and polling their own support among constituents. A solid demonstration of personal popularity would have deterred any threat of re-selection, they believed. The odds against getting it now seem too much of a gamble.

Floating vote

President Giscard d'Estaing's need to win the ecology vote to secure re-election this weekend may help to resolve some of the eccentricity of his Government's policy on the restriction of whale-catching.

With nearly 4 per cent of the first round presidential votes to re-allocate, the French ecologists will be keeping a close eye on the outcome of the meeting in Reykjavik of the International Whaling Convention.

Brussels officials hope that this will succeed where they have failed in bringing the French Government into line with its EEC partners on the issue. It is not that France is against restrictions on all whale-hunting. But it is insisting that any new rules should not apply inside 200-mile coastal limits. "That would be as protective," says one Brussels wildlife expert, "as a fox in a chicken run."

Sidelines

Survival is the name of the game these days in the Football League's fourth division. And as the season ends, Torquay United has to decide this week whether it has a future.

In its 83-year history, the club has never risen higher than the third division. But in the mid-1950's, the Gulls could still attract a record near-capacity crowd of 21,908 for an FA Cup tie. With gates down to a tenth of that figure in recent years, Torquay has financed its yearly deficit by acting as a nursery for young talent and selling players to clubs in the top divisions. "But this year," says chairman Antony Boyce, a solicitor and member of Lloyd's, "the market has dried up."

Only eight footballers were transferred compared to about 40 last year. "As a result," Boyce tells me, "the club's overdraft is now £50,000."

A glint of hope has come from Torquay council's decision—after previous refusals—to agree to renegotiate the club's ground lease to allow other sporting activities at Plainmoor this summer.

"Running a small football club is like trying to climb a mountain at the best of times," says Boyce. "Now we have to decide whether the local authority's decision can help us up the face of the Eiger."

Observer

FINANCIAL TIMES SURVEY

Tuesday May 5 1981

Saudi Arabia

King Khaled bin Abdel-Aziz addresses the Third Islamic Summit Conference at the inaugural meeting at Mecca in January

Testing time for the House of Saud

By Richard Johns, Middle East Editor

While the Kingdom feels directly menaced by Soviet expansionism, its close ties with the U.S. have come under great strain. Even so, it has continued to pump oil at a rate far higher than dictated by its own needs — a policy which is increasingly criticised at home.

NEVER HAS Saudi Arabia — *its rulers, system of government* and people — been faced with such great challenges or subject to so many strains. Both the complexity and magnitude of its problems seem to grow with the power and wealth that derive from possession of up to one-third of global oil reserves, a predominant share in the total output of the Organisation of *Petroleum Exporting Countries* and a mounting share of the world's financial assets.

Far from ensuring the security and stability that the country and regime crave for, riches beyond the dreams of avarice and a status wholly disproportionate to a lack of human resources seem only to have made the Kingdom feel more *vulnerable to external threats* and uncertain about its domestic development.

Heightening over the past nine months of the tension that has always been latent in its special but convoluted relationship with the U.S. has emphasised a continuing predicament.

On the one hand, Saudi Arabia has looked to the U.S. as a friend, ideologically acceptable as the main bastion against atheistical Communism and as the power best able to provide the sophisticated technology required for the country's development, to assist with the build-up of the country's own defensive capability and, in the *last resort, to protect it.*

On the other hand, it has seen the maintenance of the maximum pan-Arab consensus and identification with it as equally essential to its security.

Over the past decade the contradiction between the two has, of course, always lain in the failure of the world community to resolve the Middle East conflict, in particular, the recovery of occupied territory and satisfaction of Palestinian demand for self-determination, and the strong commitment of successive U.S. Administrations and their unwillingness or inability to exert any real pressure on the Jewish State.

Uncomfortable

Now its international and regional conjuncture is even more uncomfortable than two years ago when, contrary to complacent American assumptions, Saudi Arabia not only rejected the Camp David peace accords between Egypt and Israel, but also felt forced—much against *the wishes of* Crown Prince Fahd and others in the leadership—to sever relations with Egypt.

The cultivation and maintenance of the best relations with the most populous country in the Arab world, and its centre of gravity, under the leadership of the moderate, pro-Western President Sadat had been a fundamental axiom of Riyadh's policy. The Saudi regime still cherishes very real hopes of tempting him back to the Arab fold, thereby killing dead any illusion of any real progress in the stalled negotiations on "Palestinian autonomy" which had been taking place within the framework of the Camp David accords.

Underlying the Kingdom's *predicament and giving it vital* importance to the West, far transcending the question of the survival in power of the House of Saud, is the abundance of the hydrocarbon resources under the sands of the Eastern Province and their location at the centre of what, as the ruling hierarchy had always feared, would become *the most sensitive centre of con*frontation between the two super-powers.

For a long time, until about 1977, the main threat to the traditional regime came from radical Arab elements. That, in itself, dictated espousal of the Palestinian cause.

Three years ago Saudi Arabia watched with grave apprehension the Marxist regime consolidate its power in Ethiopia and the Communist takeover in Afghanistan, feeling itself the target of a pincer movement. Washington at the time regarded the development with relatively light concern.

Subsequently, in 1979, with the fall of the Shah of Iran, the border conflict prompted by the Moscow-motivated People's Democratic Republic and the Yemen Arab Republic, and the Russian invasion of Afghanistan seemed to confirm the Kingdom's worst fears about being a prime target of Soviet encroachment.

Originally, Saudi preoccupa*tion with Communism may* have been accounted for partly by the paranoia of a fundamentally Islamic regime's concern about its survival and the influence of the late King Feisal's obsession about Marxism being inextricably linked with Zionism. No one would now dispute that as the world's leading oil exporter, Saudi Arabia has assumed a pivotal position strategically and must inevitably be a major focus of super-power rivalry.

Certainly, the Kingdom has reason to be apprehensive about the great turbulence in the region. Even before the seizure of the Grand Mosque in Mecca by religious extremists in November 1979 the Saudi Government had been profoundly disturbed by the rabid propaganda emanating from Tehran. It was hostile to the ultra-orthodox Sunni practice of Islam followed by the majority within the Kingdom and aimed at stirring up discontent among the Shiite community numbering about 275,000, the country's religious minority that has been despised and discriminated against. The majority live in the oil-rich Eastern Province.

At the outset of the Gulf conflict last September, Saudi Arabia initially exulted in Iraq's initial military successes and offered "safe haven" to its forces. Enthusiasm was soon *tempered* by Ayatollah Khomeini's threat of retaliation and the possibility of a war reaching the southern littoral of the Gulf.

The Saudi leadership is obsessed by the threat that it perceives from Iran (even though for the foreseeable future its military power has been exhausted). It is in that context that the request for the enhancement of the 62 F-15s, on order, should be seen. At the moment it is almost inconceivable that Saudi Arabia would ever contemplate using them in an offensive role against Israel.

Saudi Arabia's ruling hierarchy felt disillusioned over American failure to prevent the fall of the Shah and the Soviet invasion of Afghanistan. Nevertheless, feeling more exposed and menaced perhaps even than in 1962 when Egyptian troops intervened to support the revolutionary regime that had established the Yemen Arab Republic, Riyadh has continued to look for American backing and protection. It can only do so with confused embarrassment as a result of the deadlock reached in the negotiations on "Palestinian autonomy" within *the framework of the Camp* David accords last year.

Crown Prince Fahd's call for a "Jihad," or Holy War, last summer was a measure of the frustration felt over the fact that Saudi Arabia's brave stance within the Organisation of Petroleum Exporting Countries on the question of oil prices and the generosity of its related oil *production policy had done so* little to influence the U.S. on the Palestinian issue and woo it away from what is seen in Riyadh as an unquestioning commitment to Israel, self-defeating in terms of American interests.

Saudi efforts over the past seven years to restrain oil prices has been motivated *largely by its concern for* the economic well-being of the West and appreciation of interdependence with it. The implicit *quid pro quo* for its moderation—periodically stated explicitly, albeit discreetly and obliquely — has been progress towards a resolution of the Middle East satisfactory to the Palestinians.

It is not only cynical but also mistaken to see Saudi espousal of their cause merely as a self-protective tactic. The commitment is genuine. And even more vital for King Khaled, who bears the appelation of "Guardian of the Holy Places" and the House of Saud, which rules over a society deeply permeated with religious values, is the fate of Jerusalem, Islam's third most venerated shrine.

This year, the credibility between Saudi Arabia and the U.S. gap has widened as a consequence of the manner in which President Reagan's Administration without consulting its friends Saudi Arabia or Jordan, gave primacy to the containment of Soviet threat to the Gulf over the need for a comprehensive settlement of the Arab-Israeli conflict. Riyadh *subscribes to the view* that the unresolved Palestinian issue constitutes a bigger destabilising factor in the region.

Ambivalence

Ever fearful of the radicalisation of the Arab world, its belief in this thesis is genuine. There is, however, an ambivalence in the Saudi attitude. The Kingdom was happy enough to accept the U.S. offer to station Airborne Control and Warning Systems on its soil when the two Yemens came to blows, early in 1979.

At the outbreak of the Iraqi-Iranian war it received them with even greater alacrity. Publicly the regime has stated its opposition to a Rapid Deployment Force being based or having facilities in the region.

In reality, the Saudi consensus still probably regards the U.S. as the defender of last resort. Effectively, the AWACs that Washington has agreed to supply to Saudi Arabia, but whose sale has yet to be approved by Congress would involve a significant American presence, in addition to the one already constituted by several thousand personnel working on defence contracts.

None the less exasperation with the U.S. has led the Saudi Government to vigorously seek alternative sources of armaments from France and West Germany, even at the counter-productive cost of duplication and increased strains of scarce manpower resources.

Without any apparent awareness of the contradiction, Saudi Arabia has felt it necessary to distance itself publicly from the U.S. and adopt a stance of non-alignment, rejecting a super-power presence in the region, within the comforting context of the Islamic Conference Organisation.

The Kingdom gained in prestige by hosting the Islamic summit in January, in the process reasserting some of the spiritual leadership lost since the death of King Feisal. More practically, it has drawn on its financial resources to support states like Pakistan, Somalia and Oman that are immediately confronted with Soviet expansion. Saudi Arabia's assistance and approach to the Yemen Arab Republic where the influence wielded in Sanaa and subventions to the tribes in the north of that turbulent land have not been such as to create greater stability, however. The prospect of the Sanaa and Aden regimes fulfilling the old Yemen aspiration of unity in the form of one state with a population twice the size of the Kingdom's continues to haunt Riyadh.

Meanwhile, its half-hearted attempts to seduce the regime in Aden away from its close embrace with Moscow have failed conspicuously, so far.

Most reassuring of all to Saudi Arabia has been the reasonably close working friendship established over the past three to four years with President Saddam Hussein's Baathist regime in Baghdad, which for long was regarded as a malevolent force.

Having suspended its subversive activities over the past few years, Iraq is for the time being, very much an ally. But Saudi apprehensions about its long-term intentions linger on.

Iran apparently took advantage of its involvement in the protracted war with Iran to take the vital initiative leading to the creation of the Gulf Co-operation Council. The summit that later this month will set the seal on its institutional form is the culmination of six years of consultation and collaboration in several fields, especially the exchange of information relating to internal security.

In seeming contradiction to its moves to seek greater security within the fold of Arab and Islamic unity, Saudi Arabia is risking the indignation of important members of both communities by pumping oil at a rate of up to 10.3m barrels a day, ensuring the continuation of a substantial surplus in the market, in a bid to force re-alignment of prices and create the basis for implementation of the report of OPEC's Ministerial Committee on Long-term Strategy, very much the work of its chairman Sheikh Ahmed Zaki Yamani.

Victory sought

Saudi Arabia, clearly, wants a victory in its own right, partly to restore order to the market, but also to assert conclusively its weight as the predominant oil producer.

Adoption by OPEC of the report is also important to Saudi Arabia because it would provide the guidelines for the oil producers in the forthcoming North-South dialogue, in which it would want to play a leading role, thereby enhancing its Third World credentials. No doubt, Riyadh is also, once again, looking to Washington for some appreciation in the form of a Middle East policy less submissive to Israeli persuasions and demands.

In the process, the Kingdom is producing at a rate amost twice that justified by its strict financial requirements. At current prices, these could be met by an output of 5m to 6m b/d. As a result, Saudi Arabia is amassing surplus revenue at a rate that currently may be in excess of $1bn a week and may, by the end of 1981, have accumulated foreign assets of up to $150bn.

Questions

Its oil policy serves to emphasise Saudi Arabia's power as an oil producer and its vital importance to the West. Yet it is one increasingly questioned and criticised by leading "technocrats"—at terms including those well-qualified commoners who have Ministerial rank—and princes with influence in the hierarchy.

They deplore what they believe to be the unnecessary exhaustion of an irreplaceable asset and complain that the yield on the financial assets thus generated far from providing. The strength of conservationist pressures on the obscure consensus-making process in the upper echelons of the princely heirarchy is hard to measure but, undoubtedly, significant and growing.

If and when price realignment is achieved and Iran and Iraq step up their production to make good lost revenues, Saudi Arabia reverting to its role as the "swing producer" might find its output falling to 5m b/d, or as little as 3.5m b/d.

He pointed out that a certain level will be required to provide the associated gas needed *to provide feedstock and fuel*—a rate believed to be 7m b/d. Doubts and reservations can be heard also about the scale of the heavy-hydrocarbon-based industrialisation programme, even though its purpose is to maximise the exploitation and return from a wasting asset. Diversification of the economy and the widening of its productive base is one of the priorities of the Third Development Plan.

In practice, fulfilment of its goals must necessarily involve a large net increase of manpower rather than the stabilisation of foreign workers at the 1980 level.

Physically, Saudi Arabia has undergone a profound transformation over the past decade during which non-oil Gross Domestic Product is reckoned to have grown three-and-a-half times and real per capita income to have doubled. To varying degrees its native citizens, reliably believed to number only 5m, and perhaps little more than 4m, have benefited from the largesse disbursed and distributed by the Government. Part of the price paid has been the massive influx of foreigners and increased dependence on them.

To a society still profoundly traditional in outlook, that has been one of the most disturbing elements of rapid change and accounts for the constant pre-occupation with illegal immigrants, 80,000 of whom were evicted last year, and tight restrictions on the issue of residence visas to foreigners. The ruling House of Saud has showed itself nervously anxious about the effect of Western influences even before the revolt of Juhaiman al Otaibi and the seizure of the Grand Mosque.

Nothing could have betrayed the House of Saud's own sensitivity about itself than the furious reaction to the showing on British TV of the film *Death of a Princess.*

The fury was accounted largely for the instrusion into the affairs of an Arabian clan as secretive as any. But the execution for adultery of Princess Mishaal at the behest of her grandfather Prince Mohammed, the eldest surviving son of the founder of the Monarchy and therefore the senior member of the Royal Family, was an event of some significance because it was extrajudicial. She was submitted neither to due process of law nor did King Khaled approve the act. Many young middle-class Saudis were dismayed.

The majority of Saudis who knew of it probably would have accepted the punishment as part of the natural order of things, however.

Similarly, in the Saudi scheme of things it is not considered outrageous that a young prince or commoner should profit hugely from peddling influence and obtaining commissions on State contracts, something considerably in excess of the maximum of 5 per cent formally imposed in 1978. Yet the proportion of the spoils accruing to a few privileged sons of the Royal Family is a cause of jealousy and resentment.

Decisions

In this context, the Saudi system of Government is hardly the archaic phenomenon that it appears to superficial Western observers. But the smack of authority provided for by the late King Feisal, who twice in 1958 and 1962 saved the fortunes of the dynasty, has been replaced by a more diffuse, collegiate form of decision-making involving a handful of senior princes, advised and assisted by an increasing number of commoners holding ministerial portfolios and other senior positions. Weightier matters of State are, essentially, deliberated upon and decided outside the council of ministers.

Even at its heart, the Royal Family has its divisions and factions. But it has shown itself conscious of the need for unity and shown cohesion. The system rests upon consultation and consensus.

Under ever greater pressures *of official business, the* time-honoured methods of obtaining them have looked increasingly inadequate. However, that much seemed to be acknowledged by King Feisal when, in 1962, as Crown Prince, he took the helm of, and promised the formation of, a nation-wide consultative council, a pledge repeated by Crown Prince Fahd *in 1975, as well as early last* year in the wake of the Grand Mosque affair.

On the latter occasion he said it would be established in a matter of months. It is still not in existence. The ruling hierarchy is clearly confused as to what evolution of the system is necesary or possible.

CONTENTS

BASIC STATISTICS

Area	2.15m sq km
Population (excl. foreigners)	Est. 5m
Currency, the riyal; £=SR 7.33;	U.S.$=3.3587
GDP*	SR 248.4bn ($73.9bn)
Trade: Exports*	SR 193.65bn
Imports*	SR 80.74bn
Trade with UK, 1980: Exports	£1.927bn
Imports	£1.050bn
International liquidity	$24.24bn
Saudi Arabian Monetary Agency assets	SR 266.45bn ($80.37bn)

*Figures for 1979; †IMF statistics, February 1981

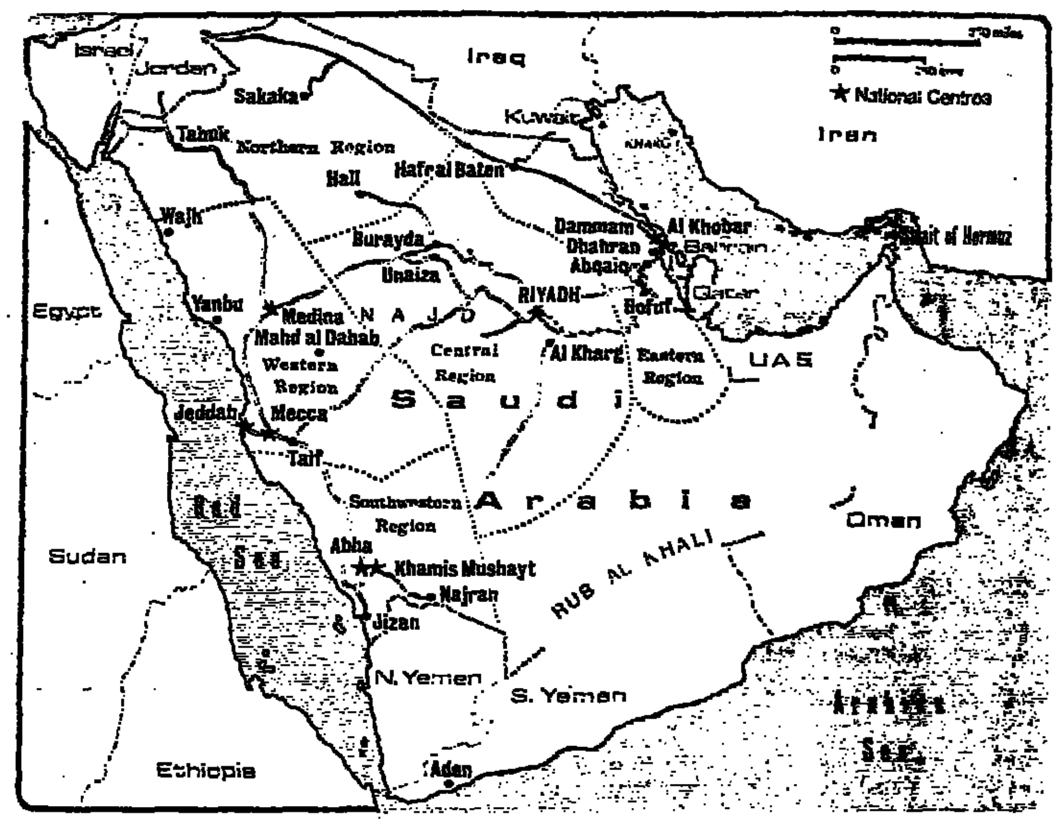
Crown Prince Fahd bin Abdel-Aziz receives Mrs. Margaret Thatcher, Britain's Prime Minister, at Riyadh airport recently. The visit—the first of a British Prime Minister to the Kingdom—marked the end of a period of chill between the two nations

King Khaled bin Abdel-Aziz (second left) meeting recently with Herr Helmut Schmidt, the West German Chancellor. Also attending were Crown Prince Fahd and Prince Abdullah Ibn Abdel-Aziz, the Second Deputy Premier (far right) who commands the National Guard

Kingdom remains uneasy over regional upheavals

DEFENCE

JAMES BUCHAN



THE FURY in Washington and in Tel Aviv at President Reagan's decision to sell to Saudi Arabia five advanced reconnaissance aircraft and equipment to increase the range and flexibility of its frontline fighter aircraft is neither new nor unexpected. What is remarkable about the affair is that Saudi Arabia feels it so needs the sophisticated Airborne Warning and Control Systems and missiles, fuel tanks and aerial tankers and bomb racks for the F-15 Eagle interceptor aircraft it is about to receive from Washington that it is willing to make it a test of U.S. friendship.

In spite of expenditure on defence that exceeds, if only in nominal terms, the grandiose dreams of the Shah, Saudi Arabia still feels desperately vulnerable to attack across its long sea and land frontiers. Almost the first response of the Kingdom to the outbreak of fighting between Iraq and Iran last September was to urge Washington to despatch four Awacs. Since then, one of the aircraft has been constantly stationed over the Kingdom's eastern frontiers and three others parked in readiness at the end of the runway at Riyadh's commercial airport.

The Awacs can detect aircraft movements at a range of 350 miles and can almost double the warning time available to scramble a squadron of interceptors from Dhahran, in the oilfields, against an attack from across the Gulf. But Iran is only one of several sources of danger to the oilfields and the peace of mind of the Royal Family.

The Kingdom is making an issue of the Awacs and the F-15 enhancements because it feels it has to meet a variety of regional threats and with its industry, population and oilfields concentrated on the rim of the country and no certainty of protecting its forward bases from surprise attack, it needs a flexible air deterrent that can be mobilised quickly, can operate from anywhere in the Kingdom and stay in the air a long time.

Insecurity

Saudi Arabia's sense of insecurity stretches back beyond 1979 when the Revolution in Iran and the Soviet invasion of Afghanistan so radically altered the strategic balance in the Middle East. Indeed, it has been present, in acute form, since the Civil War in Yemen in the mid-1960s.

The difference now is that some Saudi officers and many civilians are beginning to question the defensive policy the Kingdom has followed and particularly its reliance on the U.S., both as the chief counsellor behind the build-up of the Saudi armed forces and the ultimate guarantor of Saudi security.

U.S. military assistance has grown steadily since the early 1940s. Yet even today, the bulk of Saudi Arabia's defence budget, amounting to about $20bn this year, has gone not into weaponry but into training, social services for the armed services and their relations and military infrastructure much of it questionable in purely military terms.

While such spending has increased the patronage available to Princes Sultan Abdullah and Naif, who command the three separate military establishments, some Saudi officers and a great many civilians feel that it has not markedly increased the country's ability to defend itself. The $20bn-$25bn military construction programme, undertaken since 1965 by the U.S. Army Corps of Engineers, has been criticised for extravagance even in the U.S. Congress.

The election of Mr. Ronald Reagan as U.S. President has added a further twist by opening the inevitable difference of opinion between the two countries over what constitutes the major threats to the Kingdom. The Administration's overriding sense of Soviet menace, reminiscent of the era of John Foster Dulles as Secretary of State, has shifted the strategic focus from developing Saudi capability to improving the U.S. ability to intervene.

However, the 200,000-strong Rapid Deployment Force would be less than effective in a Gulf theatre, U.S. officials admit, without American base facilities nearer and more extensive than those available in Oman, Egypt, Kenya and Somalia.

The Saudis are opposed in public to a Gulf intervention force or U.S. bases on Saudi soil. Yet there is a great deal of light and dark in the Kingdom's attitude.

Within the ruling hierarchy, Crown Prince Fahd, who commands no Saudi military forces, is said to be well disposed in private to the notion of an "over-the-horizon" U.S. force to protect the Kingdom although reports that it could take five days to airlift one marine brigade and 35 days to deploy an Army division cannot be of great comfort. Yet for men like Prince Saud Al Faisal, the Foreign Minister, and the vast majority of younger officials, the use of U.S. troops would only be feasible in terms of a direct Soviet invasion.

Saudis feel far more keenly the threat of regional and domestic turmoil posed by the continuing Revolution in Iran, the almost pathological instability of Yemen and, above all, the failure to reach a settlement of the Arab-Israeli dispute.

Saudis know very well that the U.S. could not be relied on to assist them in the event of an Israeli attack, which becomes less and less improbable as fears mount in Tel Aviv at the erosion of Israel's military superiority.

Elsewhere, the threat of subversion can only be aggravated by an overt security relationship with the U.S. as the Kingdom learned to its cost with sharp divisions in the Royal Family and a crisis of confidence in King Saud towards the end of the Dulles era.

There is an element of furtiveness in Saudi Arabia's request to own the Awacs themselves. These highly sophisticated aircraft will be manned and their intelligence will be processed by and for Americans for the indefinite future, U.S. officials have tactlessly pointed out. But Saudi Arabia was obliged to sever relations with Libya last year when Col. Gaddafy made this observation.

To place some distance between itself and the U.S., and bully Washington into compliance with its wishes, Saudi Arabia has encouraged European sellers of arms since the early 1970s. While this policy has the political advantage of rewarding those countries, notably France but most recently West Germany, who are felt to have behaved well over the Palestine issue, it has had varied results in military terms.

The armed forces' sole armoured brigade is based on some 250 French AMX-30 and 100 U.S. M-60 medium tanks, each with their separate French and U.S. support. More striking was last year's sale of $3.5bn in frigates, support ships and helipcopters from Aerospatiale and Matra of France for the Saudi Navy, the worst manned and equipped of the Saudi services and the subject of a ten-year U.S. expansion programme due to be completed in its first phase by the end of 1984.

At the very least, there are major doubts about whether the Saudi navy can man and absorb this equipment as well as 19 other ships being constructed in the U.S. for the American-designed bases at Jubail and Jeddah.

Three major problems confound Saudi Arabia's effort to defend itself. First, the Saudi regime has not forgotten the revolutionary potential of Arab armies displayed with such alarming frequency in the 1950s and 1960s and has never learned to trust its regular armed forces and air force.

Apart from token appearances at the 1948 and 1967 Arab-Israeli wars, and the presence of a battalion of "peace-keepers" in Lebanon, the 35,000-strong armed forces have never been committed. In the war of February 1979 in Yemen, when the Moscow-backed regime in Aden attempted to detach a portion of North Yemen, the Saudis preferred to stiffen the courage of the north by a U.S. airlift of $300m in arms and material rather than a show of Saudi strength from over the border at Khamis Mushait.

The army's four infantry brigades and its armoured brigade are divided primarily between Khamis Mushait, to meet the threat from South Arabia, and Tabuk near the Israeli border in the far north. There are also units based at the hill town of Taif, where, for some inexplicable reason, the tank depot is, and manning the Hawk missile air defence system installed in the mid-1960s by Raytheon at Jeddah, Riyadh and Dhahran. A battalion of Royal Guard is stationed at Riyadh.

However, the tendency has been to keep the regular armed forces away from the main centres of population. The major armed forces scheme is the construction, under the supervision of the Corps of Engineers of a $6.5bn-plus military city for two brigades at the extremely remote wadi of Hafr Al Baten, some 40 kilometres from the Iraqi frontier.

Work began in 1978 on an octagonal city, some 2.7 km across and able to house up to 70,000 people. But it has been delayed by as much as three years from the original schedule because of supply problems and doubts about whether the facilities can actually be manned. Provisions for a third brigade have been postponed.

While the social value of the project as a nucleus for the local community of nomads is undoubted—the wells and hamlet of Hafr Al Baten have swelled to a town of 30,000 people—its strategic function is less clear. The U.S. has forbidden the Kingdom to station F-15s at the two 12,000-ft runways under construction, since like the Tabuk airbase, they are felt to pose a threat to Israel. Equally, Saudi Arabia has succeeded in forging much warmer relations with Iraq than obtained in the early 1970s when the base was planned.

In these conditions, Saudi Arabia's main defensive hope in the short term would appear to be an air defence system powerful enough to deter would-be aggressors and to provide a modicum of cover for the Gulf states grouped under the Saudi aegis in the Gulf co-operation council.

In missile air defence, the Saudis have helped to finance the development in France of a more mobile version of the Crotale missile, known as the Shahine, for deployment primarily in the Eastern Province and Khamis Mushait.

The armed forces have also shown interest in the West German Gepard self-propelled anti-aircraft system which Bonn certainly feels would be more appropriate and politically safer as a basis for future co-operation than the Leopard II tank. While Prince Sultan definitely feels he should have the best tank available in the world, the vast distances and harsh climate in the Kingdom are not conducive to good performance by tracked vehicles.

The air force consists of 65 F-5E fighter bombers based at Dhahran, Taif and Khamis Mushait and the aging British Lightnings at Tabuk and Dhahran which are likely to remain in service into the 1990s. Both aircraft are short range while the Lightning has suffered from severe servicing problems.

The Saudis also lack any real ground attack capability or counter-insurgency weapon other than the manoeuvrable Strikemaster supplied as a trainer for the Lightnings at Riyadh, Tabuk and Dhahran. The UK is hoping to interest Prince Sultan in the Hawk trainer to fill this gap.

Prince Sultan bin Abdel-Aziz, Minister of Defence and Aviation (left), and Prince Abdullah bin Abdel-Aziz, Second Deputy Prime Minister and Commander of the National Guard

Co-ordination

A second major problem in Saudi defence is the lack of coordination between the three military establishments. There is next to no liaison and no joint training between the armed forces under Prince Sultan, the shrewd and choleric Defence Minister, and the tribal national guard, commanded since 1963 by Prince Abdullah and numbering some 12,000-15,000 lightly-armed semi-regulars and 5,000 militia.

The Corps of Engineers has also designed facilities for two major bases for the Guard, in Qasim and at Hofuf in the oilfields, although it is significant that the corps is not being asked to supervise construction

A third project, for 2,300 units of housing at Khashm Al Aan south-east of Riyadh, is the object of fierce competition by contractors including Ballast Nedam of the Netherlands and Philipp Holzmann of West Germany.

Quite separate from this force are the local security forces under Prince Naif, the Interior Minister, and numbering about 6,500 men divided up between the elite Special Forces and the ill-developed Coast Guard and Border Forces.

The rivalry between these services and their princes is evident in that the Kingdom has ordered an entirely separate telecommunications network for each. More alarming, however, was the conduct of the services at the two-week siege of the Grand Mosque in Mecca in November 1979 when there does not appear to have been any inter-service liaison below the rank of colonel. Only the air transport command, with its complement of some 40 C-130 aircraft, truly rose to the challenge.

Manpower

The most serious problem, however, is one of manpower. This is evident not only in the absolute shortage of recruits for the army, the 1,000-man navy and for ground services in the airforce but also in a lack of motivation.

Because of the pressures of a booming private sector, and the fierce struggle for patronage by the princes, Saudi officers of the highest rank have treated the armed forces as a source of commercial profit. While this may be inevitable, its effect on morale in the lower ranks has not been helpful.

SAUDI ARABIA IV

Regime faces new questions

POLITICS

JAMES BUCHAN

"THE QUALITY of a regime," King Faisal once said, "should be judged not by its name but by its deeds and the integrity of its rulers." In truth, the old King was correct for the Saudi political system is a rare thing and those names that have been applied — theocracy, oriental despotism or tribal democracy—scarcely approach a definition.

For Faisal, as perhaps for his half-brothers who now rule the kingdom, "the only criterion of a regime is the degree of reciprocity between the ruler and the ruled and the extent to which it symbolises prosperity, progress and healthy initiative."

Saudis do not like talking politics before strangers, but it is exactly these criteria they invoke in discussing the legitimacy of the House of Saud, the vast family that has ruled the kingdom since its foundation in 1932. The arguments would be that there are doubts about the integrity of some elements of royal rule and that there has been a lack of reciprocity.

The kingdom has never been colonised by an outside power. The spores of nationalism, republicanism or Islamic revolution have blown in on the winds of trade and Pilgrimage, but the soil of the Kingdom is poor seeding ground and the chief notions of Saudi politics are home grown. These are first and foremost Islam, and particularly the strict and exclusive Wahhabi variety identified with the House of Saud since the 18th century.

Important

The second main influence springs from the organisation of a bedou tribe's affairs and remains of great emotional importance. The Western principle of democracy is alien to Saudi cultural values and is not firmly entertained even by those Saudis educated in the West.

The foundation of Islamic government is the Sharia or Islamic law, which is based primarily in the word of God as revealed in the Koran and the sayings and actions of the Prophet as reported in a corpus of traditions known collectively as the Sunna. The ideal Muslim state is ruled by a khalifa, or successor of the Prophet, who has all temporal and spiritual power. While the institution of the khalifa has been in abeyance since the collapse of the Ottoman Empire at the end of the 1914-18 War, the notion of personal and central authority is still strong, particularly in Wahhabi Islam which rejects any form of innovation and sets great store by unity both of God and His community.

This divine doctrine is inevitably used to legitimise the Saudi system of rule. At one level, the House of Saud attempts to ensure that there should be no great divergence in spiritual and temporal life by enforcing religious observance in public and ensuring that the religious doctors, or ulema, are content with the conduct of policy. King Khaled receives the ulema every Monday evening and the newspapers dutifully record this in unvarying language.

The guardianship of the Holy Cities of Mecca and Medina which the House of Saud wrested by force from the Hashemites in 1924-25, bestows additional legitimacy as well as great prestige. The vast expenditure which the Saudi Government has undertaken most willingly and generously for the Pilgrims can only strengthen this. The $6bn airport at Jeddah, inauguarated with great fanfare last month, looks set to be a wonder of the world, a second Kaaba.

'Threat' to Islam

The country's rulers also make much of the supposed threat to Islam, tradition and the Saudi way from the large numbers of foreigners in the country. Marxian commentaries have concentrated on the solidarity created between Saudis by this sense of cultural risk.

Within the tribal tradition, a leader is selected from his peers on the strength of a number of factors—merit, age, lineage—and he is required to consult the tribe's elders on important matters. It is only where all other things are equal, that a leader will be succeeded by his eldest son.

In the early years of this century, Abdel-Aziz bin Saud established his authority by sheer personality in preference to his father, Abdul Rahman Al Saud, and a senior branch of the family. Although he was succeeded by his eldest son, Saud, this somewhat indecisive monarch was obliged to abdicate in 1964 and was replaced by his more assertive brother Faisal. At Faisal's death in 1975, the succession passed not to the next eldest brother (Mohammed) or to the most forceful of the older princes (Fahd), but to the diffident but conscientious Khaled, whose chief advantage was his acceptability to all the leading branches of the 2,000-strong Royal Family.

Although there have been marked divisions within the House of Saud, as in the period 1960-62 over a reform movement led by Prince Talal and, to a much lesser extent, over the expulsion of Egypt from the Arab fold in 1978-79, the family has shown a remarkable capacity to unite. At present, King Khaled himself plays an important role in building consensus out of, for example, the pro-American policies of Crown Prince Fahd and the more conservative approach to Prince Abdullah, the third man in the hierarchy.

The tribal system of rule is both open and impatient of ceremony. As befitted his role as sheikh al-huyukh (Sheikh of Sheikhs) the founder of the kingdom was always known as Abdul Aziz or "long of days," or such names as Father of Saud, and Faisal once made a speech criticising the use of the honorific, Majesty. Today, the bedouin of Riyadh still treat the King almost as an equal.

The Saudi monarchy theoretically is an absolute one but, in fact, is limited by the supreme position ascribed to the Shaira and the need for consultation, based both on tribal practice and the Koranic injunction: "Take counsel among yourselves."

A constitutional law based on the Sharia was promulgated for the new region in 1926 and a consultative council of ulema, merchants and dignitaries formed to advise the King's viceroy in Hijaz. However, plans to extend this system to cover the whole kingdom, announced at its formation in 1932, have never materialised.

The revolt of Juhaiman Al Otaibi in Mecca drew its support from a very narrow base of deracinated bedouin and tormented students of religion. There was no popular support for the group's aims or methods. Nonetheless, the event itself and the Royal Family's rather feeble and indecisive response brought to surface a number of disenchantments.

At the same time many Saudis were upset by the contradictory or ludicrous bulletins issued during the revolt as if the Royal Family did not trust them at all in a crisis. There was also the major question of why the Government had failed to detect the discontent.

That the Royal Family was badly rattled by the affair was evident immediately. Apart from Prince Fahd's promise of a constitution and consultative council "within three months," certain officials with a reputation for profiteering or laxity were removed while the regime suspended diplomatic relations with the UK when a British film company attempted, albeit cack-handedly, to reconstruct the embarrassing events leading up to Princess Mishaal's killing.

King Khaled bin Abdel-Aziz (left), with Crown Prince Faud

Royal role

There is, without doubt, a growing sense in the kingdom that as the Royal Family increases in number and dominates more sectors of national life, some more exact definition of its role and of the rights of subjects is required. However, it appears that the regime is very reluctant to be seen to be tampering with or superseding the Sharia. Equally, there is little impetus to act when the movement for reform is regarded, rightly, as listless and easily diverted.

The Royal Family is much more concerned at complaints about the failure of consultation. Although the House of Saud has always relied on able men of non-royal background, and the last major shuffle in the Council of Ministers introduced 14 commoners, the older members of the family remain extremely suspicious of these young men from merchant or jurist families.

All Ministries in charge of security and all those enjoying large budgets—as well as the bulk of the provincial governorships—are in royal hands. It is merely in the nature of administration that as the bureaucracy grows it is more able to block the wills of individual princes and, in the case of the Ministers of Finance and of Planning, even the throne itself.

There is talk at present of grass-roots municipal councils to provide greater consultation at local level but there must be legitimate doubt whether this project is being pursued with any more energy than Fahd's national consultative council. Sheikh Hisham believes that such local authorities—and even conscription to create a more coherent sense of nationality—could be the basis of more democratic rule. But he insists that this will be "a long process, full of trial and error."

The question must be whether Saudis, and particularly the armed forces, will wait this long for a greater share of the decision-making. While it is true that the vastly increased dangers in the region since the Iran revolution have led to grumbles among some officers at the extravagant and rather ineffective programme of defence spending, this is not extended to the rule of the House of Saud itself.

As for Saudis in general, and even educated townsmen, there can be little real ground for complaint while at least one of Faisal's criteria—prosperity—is so unflagging. The danger will come only if this prosperity is interrupted.

Loose strategies impose no limits

DEVELOPMENT PLAN

JAMES BUCHAN

THE WEIGHTY document now encumbering so many businessmen's desks, entitled Third Development Plan and suitably bound in gold, can be all things to all men. Like most dreams, it mingles wish fulfilment with anxiety and fancy; like all dreams it resists a waking interpretation.

Even the long-awaited figure for overall government spending between 1980 and 1985, about SR 782bn, rapidly took on the character of illusion when a 1980-81 budget of over SR 200bn was announced and it became clear that defence expenditure, which is proceeding outside the planning framework, was excluded from the five-year ceiling. Other arithmetic relating to population and manpower is clearly fantastic.

Yet to concentrate on these deficiencies is to suppose that detailed and rigid development planning on the Soviet model could work in such a free economy as Saudi Arabia—or, for that matter, in the Soviet Union.

It is certainly not a question that worries Sheikh Hisham Nazer, the ebullient Saudi Planning Minister. "To be honest, our ability to assess figures is highly questionable. The figures in the plan never really do tie up with the budget. But we always end up approximately within the limits we set ourselves," he says.

Saudi Arabia is in the cruel position of lacking an absolute financial limit to development. Even if Saudi oil production were reduced to zero today, the country could still finance imports at present levels until 1985. "There is no relation between the production and pricing of oil and our development," Sheikh Hisham says. "There will always be that extra financial cushion."

The absurdities of planning in this environment are compounded by the ruling hierarchy's tendency to play safe by rooting a rather problematic legitimacy in constantly rising disbursement.

The limits to development thus consist of a rather loose set of strategies and of what Sheikh Hisham terms "absorbtive capacity." The main philosophy has passed unchanged from the Second Plan with paramount importance given to the upholding of religious and moral values, and the defence of the realm, diversification from dependence on crude oil exports and development of human resources.

In the Third Plan, emphasis is given to maintenance of infrastructure and developing productive sectors, notably heavy industry and light manufacturing, technical training and the private sector, whose role was underestimated in the Second Plan and is expected to expand its investment by 10 per cent a year to $60bn by 1985.

As for absorbtive capacity, this would presumably embrace not only the inflationary impact of heavy development spending, which ran as high as 40 per cent a year in 1976, but also such unquantifiable social costs as the savage events in Mecca in November 1979.

Achievement

The greatest achievement of the Second Plan, according to Sheikh Hisham, was the removal of "structural inflation" by some $200bn investment in ports, roads, water, power and housing. "Most of the infrastructure has been completed and the absorbtive capacity has increased tremendously," he says.

In fact, it increased so rapidly that the Kingdom ran a small budget and balance of payments deficits in 1979 and there was an alarming rise in foreign exchange expenditure as revealed in the IMF's International Financial Statistics.

This boom would have been impossible without the import of foreign workers, who number about 2m and well exceed economically active Saudis at under 1.5m, including bedouin and peasants. Sheikh Hisham recognises the valuable contribution of this immigrant workforce, but the chief elements of Government and the traditionally minded population have come to resent and fear such a foreign predominance.

At the very least, too, development would appear to mean little in terms of self-reliance when Government largesse has created, at least in the three main cities, a *rentier* class of pampered Saudis and a subclass of insecure foreign helots.

A simple solution might be a curb in government spending but this is rejected for political reasons even if it were possible. With the removal of the structural barriers of the mid-1970s, there remains but one constraint. "That of foreign manpower. It is in your hands; you can increase or decrease it with a political decision."

This political decision is the most important element of the Third Plan. Targets for growth in the non-oil sector have been reduced from an average 15 per cent a year in the Second Plan to 6.2 per cent from 1980-85 to remain within the limits of expansion of the domestic workforce.

The Plan's figures are not of great importance since the net increase for foreign workers of 9,000 were probably exceeded in 1980 alone. They merely provide the Planning Ministry with a stick to beat big-spending ministries.

"Extra revenue always tempts you to overload yourself. Our job in the Ministry of Finance and Ministry of Planning is to resist that unnecessary overload," Sheikh Hisham says.

Optimism that the foreign labour force will fall is based on an expected decline in the construction sector. Infrastructure as a whole is allocated only 35 per cent of development spending, against nearly 50 per cent in the Second Plan, as part of the shift of funds to the productive sectors. Sheikh Hisham believes that some 80 per cent of the foreign workers in the Kingdom are employed either in construction or maintenance and the Plan assumes some 65,000 unskilled foreign construction workers will be made redundant.

A second reason is that productivity will increase from its present abysmally low level by 4-5 per cent a year or 27.2 per cent over the five-year period.

These estimates remain pious hopes more than firm targets, since there has been considerable construction carried over from the Second Plan. A peak workforce of 40,000 workers, chiefly foreigners, will be needed to construct the heavy industries at Jubail and Yanbu, while there are massive allocations to improve rudimentary health care and electricity, particularly in the countryside. Some 1.4m cubic metres of desalination capacity and a further 500,000 telephone lines are to be installed. Construction itself is expected to take up $132bn at current prices.

But by opting for lower growth, the planners hope to create the more competitive climate which would encourage a greater involvement of Saudis and limit inflation. Sheikh Hisham insists that there is no absolute shortage of Saudi workers—only of Saudis trained for the technical tasks critical in a capital intensive economy.

The Plan assumes only a minor increase in the Saudi workforce (1.9 per cent a year) and the Plans SR 52bn investment in education will reduce the proportion of Saudis actually working. While technical training is expected to absorb as much as 10 per cent of the 1980-81 budget, this will be much less of an incentive for Saudis to pick up skills as a tightening of the market in construction and trade.

In a country so heavily dependent on imports, there is relatively little the Government can do about inflation, as the Planning Minister readily admits. The intention is to eradicate the domestic component entirely for an overall rate of 7-10 per cent a year. It is now running at the upper end of that band.

Planners point to the very marked cost deflation in construction in the past five years as heavy competition has eroded the grossly inflated profit (and commission) margins of the mid-1970s.

The Plan clearly recognises the danger of hyper-inflation posed by a restrictive foreign labour policy. In fact, the regime is keenly aware of the political dangers of inflation and has created a superstructure of subsidies to protect the consumer. The threat from a preponderance of foreign workers is nebulous in comparison.

It is therefore more than likely that the import of foreign labour will be used as an inflationary safety valve—particularly as budgetary curbs, such as were adopted by the Finance Ministry in the late 1970s, will tend to lose their sting as the private financial sector grows in strength.

An important element in the plan is the emphasis on regional development. There can be no doubt that development is imbalanced, with the bulk of investment going to the swathe of territory encompassing the three major cities of Jeddah, Riyadh and Dammam. Only those provinces with voluble and powerful governors, such as Asir, have been able to secure large scale development funding and only by badgering Riyadh.

Meanwhile, the countryside, which accounts for 24 per cent of the domestic workforce, contributes only 2.5 per cent of GNP.

Such is the forbidding nature of the Saudi terrain that settlements tend to be small and far-flung. Even in the fairly well-watered province of Baha, 1,200 of the 1,600 settlements have populations smaller than 100. Almost everywhere there is a sense of decay as young men have drifted to the towns in search of higher incomes and better services.

The provision of large farming subsidies has helped to arrest the drift, although not obviously to the advantage of the farms since the subsidies are treated as windfall income.

The universal shortage of water and the fragmentation of farms into small lots through the inheritance law will continue to inhibit any growth in farming. Saudi Arabia imports 70 per cent of its food and the Plan expects the drift in manpower from the country to continue at 2.5 per cent a year.

The Plan proposes that, instead of pouring money into every small settlement, investment should be made selectively in regional development centres which would act as an economic impetus to the surrounding area.

The Ministry of Municipal and Rural Affairs has been allocated the largest single sum in the civilian budget (SR 68bn), although its Minister, Prince Majed, resigned over budget cuts in 1979 and has yet to be replaced.

Much will depend on moves to devolve power, which the Planning Minister believes would be both more efficient and less costly than the present centralised system. Yet it seems inconceivable that Riyadh will tolerate any growth of local power at its own expense.

After all, it is less than 50 years since Riyadh imposed its rule on the provinces. A report in 1976 which recommended devolution was immediately suppressed.

Running through the Plan is the theme of self-reliance. Although there is unlikely to be any serious attempt to recoup the costs of the infrastructure, Saudia, the national airline, increased its domestic fares by a third in March and the Plan sets its face firmly against an increase in subsidies.

"We always set Great Britain as an example," Sheikh Hisham says. "Do not create a welfare system" that becomes sacrosanct and cannot be dismantled.

It is arguable that a welfare system as extensive as that of the UK has already been created and that Saudi expectations have become dangerously inflexible. If the Plan fails to halt this process, 1985 will dawn on a vulnerable country of political infants in a looking-glass economy.

CIVILIAN EXPENDITURE ON DEVELOPMENT
(1980-85, prices in SR bn)

Function of expenditure	Current prices	2nd plan %	3rd plan %
Economic resource development	261.8	25.1	37.3
Human resource development	129.6	15.9	18.5
Social development	61.2	9.4	8.7
Physical infrastructure	249.1	49.6	35.5
Subtotal: development	701.7	100.0	100.0
Administration	31.4	6.7	4.5
Emergency reserves, subsidies	49.6	15.9	7.1
Total civilian expenditure	782.7	122.6	111.6

Source: Saudi Arabia's Ministry of Planning, Third Development Plan.

A move to longer-term investments

SURPLUS

RICHARD JOHNS

THE SAUDI Government is understandably sensitive about the enormity of the financial surplus it has accumulated since oil prices began again to escalate remorselessly at the beginning of 1979. After they had tripled in the last quarter of 1973, the Kingdom had at its disposal foreign assets far greater in per capita terms than those enjoyed by any other state with the exception of Kuwait.

The last recorded figure for the assets at the disposal of the Saudi Arabian Monetary Agency was SR 266.45bn ($80.37bn at the exchange rate then prevailing).

Last summer First National Bank of Chicago forecasted that they would rise to $118m by the end of 1980—during which, it calculated, investment income would amount to $11.6m—increasing to $150m at the end of 1980.

Early this year Morgan Guaranty Trust Company's World Financial Markets calculated that the Kingdom's net external assets would increase by about $44bn, giving a total of $132bn at the end of 1981.

The projections should be regarded as conservative because they would not have taken into account Saudi Arabia's maintenance of a production level of 10m to 10.3m barrels a day into the summer of this year and indications that it may continue at this level throughout 1981.

The Saudi Government's consistent line has been that its accumulated assets are committed for the country's economic development. "We are only investors on a temporary basis," Sheikh Mohammed Aba al-Khail, Saudi Minister of Finance, once said. That is the main reason why the bulk of its placements have not been committed on a long-term basis or have taken the form of negotiable instruments.

Meanwhile, a discernible tendency towards longer-term investments has been apparent.

In 1980-81, even more than in 1974-75, it has been imperative to secure Saudi funds for international recycling mechanisms. The Kingdom contributed to the oil facilities arranged by Dr. Johannes Witteveen when he was managing director of the IMF. At the end of October its outstanding loans to the Fund were $1.16bn. Similarly, it made substantial funds available to the World Bank.

This time the process has been complicated by the Arab demand that the IMF and the World Bank should give the Palestine Liberation Organisation observer status. In spite of its preference for bilateral aid or multilateral Arab or Islamic institutions, Saudi Arabia would probably have been more than happy to co-operate, if left to itself, when negotiations began early last year. It agreed finally towards the end of this March to lend the equivalent of 4bn Special Drawing Rights (nearly $5bn) in 1981 or 1982, with an understanding that a similar contribution would be forthcoming in 1983.

Under the unique deal the Saudi Government has the option of discounting its commitments on the market whenever it wants. The IMF has obtained the greater part of its borrowing requirements for the next three years. But the Kingdom has increased its voting strength from 1.74 per cent to 3.5 per cent, thereby advancing towards its legitimate aim of obtaining a weight within the body more proportionate to its wealth.

Saudi willingness not only to collaborate with international bodies but also to accept longer-term maturities—eight years having been the maximum previously—was shown last summer by SAMA's participation in the Deutsche Mark, with a yield of eight per cent, arranged for the World Bank by a syndicate of West German banks.

It bought DM 200m or 28.6 per cent of the DM 700m total. The proportion was unusual as previously SAMA had normally limited itself to 15 per cent of any one issue.

On a bilateral level SAMA has assisted with recycling. Last year it financed over a quarter of the finance raised by West Germany to cover its current account deficit through an agreement whereby SAMA was offered and agreed to buy DM 5.2bn promissory notes bearing an interest rate slightly below money market rates.

A similar amount will be made available this year under a deal not unrelated to Saudi Arabia's wish to purchase Leopard II tanks.

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SAUDI ARABIA VI

A need to watch inflation

ECONOMY

RICHARD JOHNS

LACK OF finance, at least, is not a constraint restricting the management of Saudi Arabia's economy, nor is it likely to be in the foreseeable future. This proposition may seem like something of a truism. Nevertheless, it needs stating. Only two years ago, the Saudi Government was almost alarmed because in the course of fiscal 1978-79 spending had exceeded revenue to the extent that it had to dip twice, though only modestly, into its reserves. These amounted, as it happened, to more than the budget for that year. Yet the concern was, perhaps, understandable for a State almost totally dependent on earnings from one commodity.

For Saudi Arabia, the main restraints will be those imposed by what are seen as the categorical imperative of controlling inflation and preventing any increase in the expatriate presence both of them regarded —correctly—as threatening social disruption.

The absorptive capacity of the economy is now far greater than five years ago when an inadequate infrastructure, especially the inability of the ports to handle the goods pouring into the country, was a major factor stimulating the soaring rise in prices.

The supply bottle-necks have been removed. But even with a massive programme of subsidies, the Government, ever mindful of the traumatic days of 1975-76, is well aware that increases in the rate of public spending must be measured carefully if inflation is to be kept within the 7-10 per cent bracket strategy laid down in the Third Development Plan for the disbursement of revenue.

Notwithstanding the hope of increased productivity—a somewhat illusory one, given the average Saudi employee's aptitude for work (as opposed to the businessman's appetite for profits) — the other constraint on growth must be the axiom that foreign workers should more or less be limited to the number present in the Kingdom in 1980.

The balance is proving a difficult one to keep. Despite the expansion of the private sector, the greater part of economic activity is still generated by the State's expenditure. The policy is also to reduce the Government's predominant role and give citizens every opportunity to enrich themselves as capitalists.

Complaints that money available is not being dispensed as bountifully as it might and that too big a proportion is profiting a minority of entrepreneurs can be heard from the middle-class elements.

Indications, as well as official intentions, are that growth will be slower but more steady from a much stronger base than the Kingdom possessed in 1975. The continued dominance of oil in the economy, its escalating price and changes in the level of output tend to distort the country's overall macro-economic statistics.

During the period of the Second Development Plan, GDP as a whole grew by an average of 8 per cent annually. The non-oil sectors, however, progressed at a rate of 14.1 per cent, ahead of the 13.3 per cent target.

More remarkably, in terms of current prices, their share of total GDP was up from 20.7 per cent to 37.8 per cent, while that of oil declined proportionately. Productivity was reckoned to have increased by 7.39 per cent, compared with the plan's projection of 3.97 per cent, though given confused statistics about population and the labour force the calculation may have little validity.

Per capita income was reckoned to have risen from about SR 4,800 in 1975 to SR 8,200 in 1979, in real terms an increment of about 55-60 per cent. But it is a macro-economic statistic that does not take account of the concentration of wealth in the hands of princes engaged in commerce and wealthy merchants, the growing disparities between standards of living in rural and urban areas, or the languishing agricultural centre, including its nomadic and semi-nomadic population which is still believed to number as many as 500,000 people.

In line with the objective of curbing inflation and containing the expatriate population the Third Development Plan foresees a slower and more measured growth of an average of 6.2 per cent annually for the non-oil sectors, with a slight decline projected for the construction industry, but an expansion of nearly 19 per cent for manufacturing industry and 30 per cent for utilities, notwithstanding anticipated expenditure of SR 782.8bn at current prices (without allowance for inflation).

Budget surplus

As a result of the high level of oil production maintained by the Kingdom and the rise in official selling price for Arabian Light, the main staple in the Kingdom's range, from $28 to $32 per barrel over the past year, Saudi Arabia seems destined to accumulate a budget surplus of $30bn to $40bn, the financial year 1400-1, or 1980-81, which ends on May 4.

Its propensity to spend in the past has been surprising and should not be under-estimated for the future. During the period of the Second Development Plan disbursements amount to SR 688bn compared with the figure of SR 498bn that had somewhat arbitrarily been envisaged at the outset of its implementation. The target was considered as unrealistic by many observers, six years ago.

The fact that spending exceeded projected allocations by 38 per cent could be attributed largely to a rate of inflation, imported and domestically generated, far higher than the 16 per cent component built-in to the financial projections, as well as defence spending on a much larger scale than originally anticipated.

Final accounts recently released by the Ministry of Finance and National Economy for 1979-80 show expenditure in that year to have been SR 188.40bn, 2.4 per cent lower than the amount initially estimated and nearly 13 per cent below the sum allocated but nevertheless 21 per cent up on the previous year.

Customarily, revenues projections are made on the lowest assumptions relating to oil prices and production. Receipts from petroleum would have been very much larger than the SR 160bn officially estimated, probably giving a fiscal surplus of SR 20-30bn after the year in which the Saudi Government actually went into deficit.

For the financial year just ended the budget was set at SR 245bn, a figure that was raised from SR 190bn. No less than SR 68.9bn was allocated to defence, giving the Kingdom the highest per capita expenditure on it in the world.

Revenue, meanwhile, was projected at SR 260bn based on a production rate from the fields operated by Aramco of 8.5m b/d and a price of $28 for a barrel of Arabian Light.

Last August, Mr. Feisal al Bashir, the Deputy Minister of Planning, stated that production of 6.8m b/d would be sufficient for the Kingdom's needs. Seven months and two price escalations later, Mr. Lisham Nazer, Minister of Planning, put the level at 5m b/d.

That would imply that Saudi Arabia has recently been spending only about half its earnings. Over the full financial year 1980-81, total receipts would have been the equivalent of $110-120bn—twice the budget projection. Apart from crude oil, refined products and natural gas liquids, the Saudi Government should obtain not inconsiderable revenue amounting to as much as SR 20-25bn from other sources, in particular the religious tax *zakhat* that it is incumbent on Moslems and their companies to pay, at a rate of 2½ per cent, on their income.

Inflation was officially estimation to have reached 34.6 per cent in 1975 and a peak of 31.6 per cent in 1976 during the first two frenzied years of the Second Development Plan before declining to 11.3 per cent in 1977.

In 1978, it was claimed that the rate was negative with a drop in prices of 1.6 per cent before rising marginally in 1979.

In the boom years of controlled expenditure inflation was reckoned by most observers to have run at 40-50 per cent and as high as 70 per cent if rents were taken into account.

Salaries

Now the cost-of-living index has been revised on the basis of a 1976-77 urban expenditure survey, based on five cities, (Riyadh, Jeddah, Dammam, Buraidaa and Abha), expanded to include 300 items and comprise middle-income households earning SR 2,000-7,000 (with a median of SR 3,826) grossly low in terms of salaries. This shows a 4 per cent increase in the 12-month period up until last October, but seems to underestimate the true rate of price rises that probably was more in the order of 10 per cent and have probably been running at a higher rate recently.

Nevertheless, the Saudi Government can justifiably claim credit for reducing and containing the rate of inflation. It is a continuing preoccupation. The state does not have at its disposal nor is it inclined to exercise what in most countries are standard instruments of monetary policy such as taxation and control over the volume of credit or interest rates.

Thus, the basic strategy is still to restrain the flow of funds flowing from the state's coffers into the domestic economy—through salaries and payments to the private sector involved in development projects.

In this respect, the Government has been helped by a number of factors. The proportion of expenditure going to purchase goods and services from abroad has probably risen. Spending on a significant number of projects undertaken by foreign, especially Korean contractors whose work force remit most of their earnings, does not find its way into the local economy.

The growth of the banking habit among Saudis has tended to reduce the velocity of money. The attraction of higher interest rates on dollar deposits abroad has drained a considerable amount of liquidity from the country. As it was in the 12 months up until the end of last November, credit extended to the private sector was up 27 per cent from SR 26.86bn to SR 34.20bn and in the year up until the end of last October money supply (currency in circulation, demand deposits and quasi-monetary deposits) up 17 per cent from SR 63.05bn to SR 74.06bn. The high level of the state's cash flows should mean a higher rate of non-oil GDP in 1980-81 —and a rate of inflation of more than 10 per cent. Imports in the first nine months of 1980 ran at a rate 18 per cent above the same period of the previous year.

In combating inflation, the Government has been lavish in its payment of subsidies. The direct ones paid to stabilise the cost of basic foodstuffs involved a Government outlay of SR 70 bn last year. This year, the bill could be as much as SR 3bn, not the least because of the rise in the price of sugar, according to Dr. Suleiman Sulaim, Minister of Commerce.

When all forms of State financial support are taken into account, such as covering of the losses of Saudia and the railways and forms of cheap, concessionary credit made available by such agencies as the Real Estate Development Fund, which has now made loans worth over SR 30 bn, it has been estimated that perhaps 27 to 28 per cent of the true cost of goods and services is accounted for by subsidies in one form or other. There is a contradiction here because the Government's intention is to phase out subsidies in the long-term.

Manpower (a subject in detail in another article) remains an imponderable factor. One reason for this is the fog of confusion, genuine and wilful, relating to figures on population and the labour force, that has complicated the planning process in the Kingdom, in some respects, made it seem an artificial exercise.

The census undertaken prior to the Second Development Plan was a less than complete one which is said to have covered only 70 per cent of the population. It indicated a distressingly low Saudi population of little more than 4m.

In grossing up the total, the statisticians then over-compensated, concluding that there were 5.9m Saudis and 790,000 foreigners. For planning purposes a total of 6.2m was decided upon (though in 1975 a figure of just over 7m was announced officially).

Despite the considerable investment in education and training, the intention of freezing the total number of foreigners working in the Kingdom is clearly going to be more heavily dependent on expatriates not only for implementing projects but also running and maintaining them for the indefinite future.

GROWTH OF IMPORTS AND EXPORTS

(Figures in $bn)

	1973	1974	1975	1976	1977	1978	1979	1980
Exports	7,696	30,988	27,728	36,437	41,210	37,935	57,616	102,548
Imports	1,977	2,859	6,886	8,695	14,656	20,422	24,021	*

* Figures for first quarter, 1980, were 7,424; second quarter, 8,120; and third quarter, 8,352.

Source: IMF International Financial Statistic (Imports based on trading partners data).

Longer-term investments

CONTINUED FROM PREVIOUS PAGE

On a government-to-government basis Saudi Arabia's dealings related to its surplus with Japan date back to 1974 when it deposited $1bn with the Bank of Tokyo. Last spring SAMA agreed to purchase bonds worth Y50bn monthly for the indefinite future. They are guaranteed by the Bank of Japan and held on account with the Bank of Tokyo.

On a visit to Tokyo last November Mr. Abdel - Aziz Quraishi, Governor of SAMA since 1974, expressed the intention of increasing Saudi investments in Japan. Towards the end of March it was reported that SAMA would buy a portfolio with a value equivalent to $1bn, to be managed on its behalf by Baring Brothers and Robert Fleming. The former has advised SAMA on its investments since 1974, together with White Weld — now Merrill Lynch White Weld.

Acquisition of an equity portfolio would be a radical departure for SAMA, which has fought shy of buying shares in foreign companies outside the U.S., where purchases are made discreetly through banks because of fears about arousing political susceptibilities.

SAMA's agreements with Bonn and Tokyo have provided a welcome opportunity to diversify its investments. In particular, access to D-Mark assets, from which the surplus oil producers were long precluded, would have been appreciated.

SAMA, like the Kuwait Ministry of Finance, has long been reconciled to the fact that the bulk of its reserve, in practice about 75 per cent, must be held in the dollar-denominated instruments because of the currency's predominance and the limited availability of others.

About two-thirds of the Kingdom's dollar assets — or about 50 per cent of the total surplus — are believed to be placed in the U.S. itself. The bulk of the total investment is either on deposit with banks or in the form of bonds, particularly government securities, in a ratio of about two-to-three.

Increase

In 1974 SAMA made deposits with only a dozen or so banks, of which the most prominent were Chase Manhattan and Morgan Guaranty. Now, the approved list is believed to number 75.

SAMA is a significant holder of U.S. Treasury bills purchased under a special arrangement with the Federal Reserve Bank of New York. This was revealed in testimony before a Congressional sub-committee in 1978. The agency is said to be the largest single stockholder of the Federal National Mortgage Association.

Acquisition of U.S. and other government securities are also made through banks which handle both bond and share portfolios for SAMA, Morgan Guaranty being a particularly important intermediary. The rule for holdings is that they should not exceed 5 per cent of the stocks of any company.

Since 1975 SAMA has been making private placements with U.S. corporations in the AA category with average maturities of about seven years. Among those identified concerns whose private loan issues it has taken up have been the International Business Machines, American Telegraph and Telephone Company, General Motors, U.S. Steel, Dallas Power and Light, Illinois Bell, Northwestern Bell and U.S. Gypsum.

The rate of which it has been taking up placements has been quickened recently.

Meanwhile, the proportion of Saudi Arabia's surplus accounted for by aid is by no means negligible. From 1974 to 1979, when its concessional assistance was reckoned to account for over 3 per cent of GNP, its disbursements of official development aid ran at a rate of rather more than $2bn annually according to the Organisation for Economic Development and Co-operation.

The Kingdom has been the biggest contributor to the Islamic Development Bank which, in 1979 and 1980, led the Arab-dominated development funds in its commitments and disbursements. Second was its own Saudi Fund for Development, which paid out $247.3m and $331.24m in loans in those two years.

Signed loans now amount to the equivalent of over $3bn and commitments to more than $4bn.

In practice actual flows of aid would be far higher than the figure identified by the OECD. Including all the politically motivated grants to such countries as Pakistan, the Yemen Arab Republic, Somaliland, Sudan and Morocco, the actual annual rate of aid is probably about $5bn.

World's premier oil power

OIL PRODUCTION

RICHARD JOHNS

ONCE AGAIN over the past seven months since the outbreak of the conflict between Iraq and Iran, the international community has had cause to be reminded of its dependence on Saudi Arabia as the world's "swing producer," able to lower or raise its output in response to fluctuations in supply and demand.

Never has its preponderence been so great. In spite of a global surplus reckoned to be 2m-3m barrels a day, about 5 per cent of total consumption, the Kingdom has continued to pump oil at a rate of over 10m b/d in the second quarter of 1981 in its attempt to bring about realignment of oil prices.

Last year as overall OPEC output fell by nearly 13 per cent, Saudi Arabia's increased by over 4 per cent. The Kingdom's output was 9.92m b/d, of which nearly 9.66m came from the fields of the Arabian American Oil Company and the balance from its share of the Neutral Zone where the operation of the Arabian Oil Company contributed 191,700 b/d and Getty Oil 75,200 b/d.

This volume was 55 per cent of output in the Gulf, 37 per cent of OPEC's, and 22 per cent of the non-Communist world's. In the last quarter of 1980 its share was even higher—68 per cent, 43 per cent, and 24 per cent respectively.

Saudi Arabia has been able comfortably to maintain a production rate of up to 10.3m b/d from Aramco's fields for political reasons. That extra margin has been sufficient for the Kingdom to assert itself as the premier oil power with the ability to exercise a strong, if not decisive, influence over the market.

Last September Dr. Abdulhadi Tahir, Governor of Petromin, said that Aramco's capacity was 11m b/d and that a level of a little over 12m b/d would not be reached until 1985-86. Achievement of it would cost \$4bn-\$5bn, according to him. This prospect compares with the original target of 14m b/d by 1981-82.

More prudent, perhaps even cautious, considerations about field maintenance and justified concern about conservation are responsible for that relatively slow expansion of capacity.

The Aramco area includes a number of significant but undeveloped fields. Discoveries are made by the year. For instance, three fields were found in 1978 and another five in 1979. Aramco's most recent figure for proven reserves is 113bn barrels at the beginning of 1979. The Ministry of Petroleum and Minerals' own estimate of reserves at the end of 1979 was 167bn barrels, enough to sustain output of 8.5m b/d for over 50 years. The actual amount could be much greater.

Finally, over four years after a full take-over of Aramco had been agreed early in 1976, the Saudi Government paid the four American partners—Standard Oil of California, Texaco, Exxon, and Mobil—operating the concession originally granted in 1932 a sum believed to be \$1.5bn in compensation, at net book value, for their residual 40 per cent share held since the second participation accord was reached in 1974.

The agreement formalising the 100 per cent state control of Aramco has still not been signed. The delay has been caused by the failure of the Supreme Petroleum Council, the body chaired by Crown Prince Fahd which lays down oil policy, to decide the form of the new state oil corporation and probably more vitally, who will be appointed chairman.

Sheikh Ahmed Zaki Yamani, the Minister of Oil, warns of cuts in production.

Dr. Tahir is believed to want the post and has the ability to fill it. But there is evidently opposition to his appointment.

Details of the new arrangement whereby the former owners of Aramco will form a service company to operate the fields in the old concession area, to develop them and to undertake further exploration have not been officially revealed.

The companies have been receiving a fee, effectively a discount, that has recently amounted to 25 cents for each barrel produced. The plan is that, under an incentive scheme, allocations may rise according to commercial discoveries made. At the same time, the partners have to contribute towards exploration costs.

The big questions for the partners have been precisely how much crude oil will be available to them and whether the production fee will be sufficient to cover the expense of searching out new resources. Obviously, there is an area for hard bargaining and fine calculation on both sides.

Availablity of oil remains a critical and unresolved issue for the former shareholders in Aramco. The volume obviously depends upon total output that will be subject to a number of factors, not the least political considerations, external and domestic, as well as the state of the market.

The original understanding was that it should be 7.3m b/d. Early in 1979, when maximum permitted production was raised to 9.5m b/d, the volume increased to 8.1m b/d. Thanks to the maintenance of this high level of production and the actual increase last autumn, the allotment last year was 7.2m b/d and it has continued to run at this level.

However a return to the "official ceiling" of 8.5m b/d would mean that the four companies would be lucky to obtain 5m b/d. With a drop in production below that, their liftings would be drastically reduced. Sheikh Ahmed Zaki Yamani has warned that with the eventual recovery of Iranian and Iraqi exports, and a further fall in demand for OPEC oil, Aramco output might fall to 5m b/d or less.

Availability has been and will be eroded by a number of factors. First and foremost there has been the rapid build-up of Petromin's own sales over the past two years. They have risen from a negligible amount to about 2m b/d.

In addition, there have been contracts involving about 300,000 b/d under which Saudi crude is being processed by foreign refiners. At the same time, increased refining capacity for both the domestic market and exports is set to absorb a growing proportion of available oil.

Saudi consumption has expanded from 135,700 b/d in 1974 to 426,600 b/d in 1979, with annual growth varying from 22.2 per cent to 30.7 per cent. Domestic refining capacity is scheduled to increase from the 700,000 b/d installed last year to 1.1m b/d in 1985-86. The capacity of export-oriented facilities is forecast to rise from nearly 1.8m b/d to almost 2.3m b/d.

The total amount of oil available will be further drained by the "incentive crude" being supplied to Saudi Arabia's joint partners in the export refineries under construction and by hydrocarbon-based industrial ventures.

At one point the amount being talked of was 1,000 barrels for each \$1m invested. The volume some of Saudi Arabia's partners will receive has not apparently been clarified. However, the deals with Shell Oil and Mobil indicated that the rule will be 500 b/d for each \$1m invested, which Dr. Taher has described as an "internal yardstick."

On the face of it the volume of "incentive oil" could exceed 1m b/d by 1985, though a proportion may be accounted for by refined products.

As attention continues to focus on the vulnerability of the Straits of Hormuz, through which passes the bulk of West Europe's and Japan's oil requirements, Saudi Arabia can assure itself and its customers that it will soon have the option of pumping.

The 750-mile pipeline from the northern part of the giant Ghawar oil field to just north of Yanbo should be operating on schedule from the middle of this year. This important strategic facility, run by Petroline, a subsidiary of Petromin, and laid by Saipem of Italy and the Lebanese-American joint venture CAT-Houston at a cost of \$1.64bn, will have an initial capacity of 1.85m b/d.

There are plans to raise capacity to 2.4m b/d and subsequently to 4m b/d. A tariff, reflecting the freight advantage for oil exported from the west coast, has yet to be decided.

Saudi Arabia has been extravagantly blessed in the petroleum resources at its disposal. It is, however, as conscious as any other producer that oil is a wasting asset and that the world must diversify its sources of energy.

Another resource with which it is abundantly endowed is sun. "At the maximum extreme it has been calculated that the Kingdom receives 105 trillion kilowatt hours of solar energy daily—thermally equivalent to 10bn barrels of crude oil," says the Third Development Plan.

A research programme was launched in 1977 under the aegis of the U.S.-Saudi Joint Economic Commission. Five different programmes have been initiated including what will be the world's largest photovoltalic power system to provide electricity for two villages. Also under construction is the biggest solar water heating system for the King Abdul-Aziz Airborne and Physical Training School at Tabuk.

The Saudi Government is also interested in nuclear energy. A ministerial committee headed by Prince Sultan, Minister of Defence and Aviation, was formed recently to study a proposal for the establishment of a centre for advanced research into nuclear energy. The Kingdom cannot be accused of complacency about its oil resources.

Sophisticated projects on a vast scale

REFINING

JOHN ROSSANT

THE 1980s present a bleak horizon for oil refiners in the industrialised world. Faced with unstable crude markets, dwindling access to supplies, inefficient refineries and rapid-drop-offs in demand for oil products, it is likely that several independent refiners will go under, and the best will be satisfied with very narrow profit margins.

It is therefore with a mixture of fear and awe that these refiners look at Saudi Arabian plans over the next ten years that aim to give the Kingdom far and away the largest and most sophisticated refinery capacity in the entire Middle East, and one of the largest outside the industrialised world.

Petromin began the discussion of large joint-venture export-oriented refineries in the early 1970s, but it was not until the finalisation of plans for the 1.85m b/d East-West Crude pipeline bringing crude oil to Yanbu on the West Coast, that this new industrial city and its sister, Jubail, on the Gulf, were chosen as the two optimum sites, along with the small Red Sea port of Rabigh.

Apart from the desire to capture some of the margins made through refining a barrel of crude oil, escalating internal demand for oil products lay behind Petromin's decision to raise capacity beyond Aramco's 450,000 b/d Ras Tanura refinery, and small facilities at Jeddah and Riyadh. Current domestic consumption (less bunkering), increasing by more than 25 per cent annually, will run about 515,000 b/d in 1981—ten years ago this figure was less than 45,000 b/d.

Petromin has formally approved five joint venture export-orientated refineries, with an initial capacity of almost 900,000 b/d in addition to its own plans to install upgraded domestic facilities. (The line between a domestic and an export refinery is a slim one, according to Petromin officials, and a considerable percentage of the capacity of Petromin's own domestic refineries is likely to be sold on the open market).

Joint venture

Mobil became the first company to complete negotiations with Petromin and formally establish a joint venture partnership for an export fuels refinery. Early last year the two concerns came to a final agreement on a 250,000 b/d refinery to be located in Yanbu, near Mobil's planned joint petrochemical plant with Sabic.

The refinery, planned with sophisticated visbreaking, catalytic cracking and hydrotreating units will cost about \$2bn and is scheduled to start operations in 1984, ten years after the first letter of intent between Mobil and Petromin.

Royal Dutch-Shell is the second major that came to a "formation agreement" with Petromin last year. In some ways, it was a much more significant event, for it is the first time in Saudi oil history that a non-Aramco major will be involved in an important hydrocarbon project in the Kingdom.

With its 250,000 b/d capacity—Shell had originally proposed a refinery twice this size—the joint fuel refinery in Jubail will, as in Mobil's across the peninsula, concentrate on the lighter ends; naphtha, kerosene and gasolene units are together scheduled to yield up to 60 per cent of total refinery runs. In addition, the Petromin-Shell facility will require over 0.5m tonnes of methane annually for complicated and expensive hydrocracking units and hydrosulfurisers.

Shell has contracted Badger and Fluour for basic engineering and process design, but the overall scheme and bid documents have been drawn up by Shell's own research and engineering staff in the Hague.

The agreement last year to go ahead formally with what will be the largest export-orientated refinery in the Kingdom—325,000 b/d—raised not a few eyebrows in the international oil industry since Petromin chose as a partner not one of the majors but the small and secretive Greek shipper and refiner Petrola, owned by Mr. John Latsis. His company is not only a 50 per cent partner in the joint venture but has also been handed the \$2.62bn contract for engineering procurement and construction of the refinery.

Although the Shell and Mobil ventures are technologically very advanced the Petrola project, situated in the natural deep-water port of Rabigh, equidistant between Jeddah and Yanbu, is merely a topping plant and will, at least in the first phase, to 1986, not include any upgrading units. Petrola is understood to have bought on the cheap in Italy many of the basic refinery modules for the Rabigh plant.

The three fuel refineries will add 835,000 b/d of products on what will most likely be a saturated world market in the middle of the decade.

Depending on that market, and on the Kingdom's determination to capture an even greater share of downstream waters, Petromin has reserved the right to double the capacity of each refinery after 1986. There is ample space at all three sites and, of course, there will always be ample crude oil supplies.

Investment

One market which stands to be affected by Petromin's plans will be that of lube base stocks. This year Petromin has given the green light for two large joint lube refineries with U.S. companies, and a third refinery—a multinational venture through the Arab Petroleum Investments Corporation, the investment arm of the Organisation of Arab Petroleum Exporting Countries—could be finalised in the next year or two. By the end of the decade Saudi Arabia will be the largest manufacturer of lube base oils outside the U.S., Japan and Europe.

Most ambitious of all these refineries destined to have one of the biggest capacities in the world—will be a joint venture with the two Aramco partners, Texaco and Socal—which will own 25 per cent each in the \$1bn venture in Jubail to produce 12,000 b/d of four lube base oils out of 53,000 b/d of fuel sold to the joint venture from Ras Tanura.

The second lube refinery is a joint venture with the U.S. independent Ashland Oil. The \$400m, 5,000 b/d refinery, sited at Yanbu is scheduled to come on stream in 1983.

Apart from these five export-orientated projects, Petromin has been concentrating on building grassroots domestic refineries and expanding existing facilities, to help satisfy burgeoning domestic demand.

A 170,000 b/d fuel refinery is being built in Yanbu by the Japanese-Saudi joint venture Chiyoda Petrostar, and will be on stream by 1983. Petromin is already studying plans to expand this refinery to 420,000 b/d later in the decade.

Recent preoccupations with security in the Gulf since the Iranian Revolution, however, have led Petromin to question the advisability of locating so much refinery capacity on the Kingdom's east coast, and put a number of planned projects there into question.

Will Saudi refineries be a success in a world already glutted with refinery capacity? The question does not seem to preoccupy Petromin. "Our refineries will be viable going ventures whether the world likes it or not," says a senior Petromin official. "We've already made our decision to go heavily into refining and people will have no choice but to buy our products."

Disturbing questions raised

GAS

JOHN ROSSANT

NATURAL GAS was discovered in Saudi Arabia even before crude oil, but it only came to be exploited recently. The Kingdom's gas reserves amount to 116 trillion (million million) cubic feet—more than 4 per cent of the world total. Over the past five years the finance devoted to this in the cost-escalating, first phase of the master gas-gathering system, currently priced at $18bn, has been second only to development of crude oil resources.

Gas utilisation began modestly in the late 1950s with the construction of two gas injection plants around the northern stretches of the huge Ghawar oil field. Real exploitation, however, started in 1963 with the construction of a natural gas liquids (NGL) plant at Abqaiq, and the first liquefied petroleum gas (LPG) units at Aramco's Ras Tanura refinery.

Expansion

Aramco's system was expanded over the years to include production and processing facilities around northern Ghawar. This system, which produces now around 300,000 barrels a day of NGL, was finally sold to the Saudi Government at the beginning of the year—it had been one of the last properties in the kingdom still partially owned by Aramco's four partners.

The turning point, though, in gas, came after the quadrupling of oil prices in 1973-74 made gas collection economically viable and opened up the door to a wide variety of industrial possibilities. Late in 1974, the Government of the late King Faisal made the momentous decision to harness all the gas associated with the production of crude oil from Aramco wells.

Now, on average about 600 cubic feet a day of gas are associated with each barrel of crude oil produced in Saudi Arabia. The Government's initial plans seem, in retrospect, presumptuous. The grand design contemplated all 5bn cu. ft. per day associated gas being collected, sweetened and fractionated, either exported or used domestically. Texas Eastern, who did the initial feasibility study concluded that the entire undertaking would take two to three years at a cost of (only) $4.5bn.

That proved to be very far and disconcertingly off the mark. After Aramco was empowered by Riyadh, in early 1975, to proceed with the design, procurement, construction and operations of the system—on a cost-plus basis—the company realised that the original conception of the project would require expenditures of around $16bn.

The plan was scaled back and gas from most offshore gas oil separating plants (GOSPs), apart from those around the Berri field, was ignored, as well as that from far-flung onshore GOSPs. Only gas from the 25 GOSPs contiguous to the Ghawar field, and four around Berri (representing 75 per cent of all associated gas) would be collected and processed in what was termed the first phase of the system.

This 3.4bn cu. ft. per day will flow from the various GOSPs to the three collection centres of Berri, Shedgum and Uthmaniyah (only the latter is not yet completed), with some 40 per cent—the methane and ethane components—earmarked for Saudi domestic consumption, and the rest exported as LPG and natural gasoline.

At the three centres, the gas stream is treated to remove carbon dioxide and hydrogen sulphide; the former is released into the atmosphere, but the latter is transformed into elemental sulphur—by next year, Petromin will be producing rather more than 4,000 tons of this exportable commodity.

The methane components—dry gas—are also extracted at these three centres and will go to Jubail, via a 180-mile pipeline, to feed the industrial and refining facilities. Some will also be diverted to Ras Tanura for use in hydrocracking at Aramco's refinery.

Somewhat less than half of the remaining "wet" gas liquids (NGL), mainly from the large Shedgum facility, will flow to Juaymah, on the coast, where two sets of fractionation towers separate first ethane, then propane, butane and natural gasoline. The ethane—like methane—will also travel via pipeline to Jubail to feed petrochemical complexes, and the LPG components will be exported directly from Juaymah terminal.

Pipeline

The remaining, larger portion of NGL, around 300,000 b/d, will transverse the peninsula from Uthmaniyah to Yanbu in Aramco's recently-completed 730-mile pipeline, which runs parallel to the East-West Crude Pipeline. At Yanbu, fractionation towers identical to those at Juaymah, will extract some 110,000 b/d of ethane for feedstock and fuel purposes. Yanbu of course, will serve as a convenient export terminal for the remaining 130,000 b/d of LPG.

These increasing volumes of LPG that Petromin must sell abroad are already becoming something of a problem, and the Saudis have of late resorted to burning some of the valuable hydrocarbon because of a dearth of takers at propane and butane prices set monthly in Riyadh.

The cruel irony manifesting itself now is that all of the ambitious Saudi economic and industrial plans, the product of thinking in the mid-1970s at the start of the second five-year plan, had been based on the assumption that world demand for Saudi oil would continue to grow throughout the next two decades.

Officials at the Ministry of Industry and Electricity say that SABIC's seven ethane and methane dependent projects and its metallurgical plants will alone demand the dry components of gas associated with a minimum, uninterrupted crude oil flow of 7m b/d.

Fuel consumption of SWCC's desalters, plus the Eastern Province's new electricity generation plants, will mean the use of even larger volumes of gas—and hence higher oil production levels.

The Saudi Government has recently shown a new awareness of this reliance on high oil production levels: new industrial plants are planned now with more of an eye to flexibility in switching to a variety of feedstocks of fuels.

More importantly, the new fears over the damage to heavy industry that could be incurred through a sustained cut in oil production, Saudi officials say privately, has led to Riyadh's recent decision to cancel or trim several large, energy-intensive projects, including an aluminium smelter, a second export refinery in Jubail, and the ethylene complexes planned by Dow and the Japanese — all apart from the other large planned projects (petroprotein, yet another ethylene complex, a third fertiliser plant) for Jubail and Yanbu that had been scratched earlier on.

Sheikh Armed Zaki Yamani, Minister of Petroleum, has addressed himself to this question several times over the past few months, talking of "technical handicaps" in lowering oil production. But he has also equivocated in stating that there is no minimum production level "as far as gas needs go," because of reserves of non associated gas that could be exploited.

Aramco, indeed, is studying ways of bringing this gas unassociated with oil output on stream—but officials in Dhahran point out that this would take years of lead time and billions of dollars of capital expenditure.

CAPACITY OF GAS GATHERING SCHEMES

Centres	Products	Volume (rounded)
Berri	Sulphur	4,000 tons/day
Shedgum	Fuel gas	2.0bn cubic metres/year
Uthmaniyah	LPG	375,000 barrels/day
Ras Tanura	Ethane	0.37bn cubic metres/year
Ju'aymah		
Yanbu		

Source: Government statistics

NATURAL GAS

Production and utilisation, 1973 to 1978, in billions of cubic metres/year rounded.

	Production	Utilised gas	% of gas utilised
1973	42.6	6.3	14.8
1974	45.2	8.2	18.1
1975	37.7	8.9	23.6
1976	46.2	9.9	21.4
1977	49.1	9.6	19.6
1978	42.9	10.9	25.4

Source: Ministry of Petroleum and Minerals

A spate of final agreements

PETROCHEMICALS

JOHN ROSSANT

IN A little more than a month, top executives from Dow Chemical and Mitsubishi will fly into the heat of Riyadh to place their signatures on several weighty volumes of contractural agreements with the Saudi Basic Industries Corporation. Thus, the last of SABIC's massive planned petrochemicals projects will have been finally set up as a corporate joint venture.

More than six years of sometimes painful trans-continental negotiations between foreign companies and SABIC over industrial licences, oil incentives, training programmes and construction costs, ended with a flourish this year in a spate of final agreements.

"Implementation" has replaced "negotiation" as the key word around SABIC's provisional headquarters in Riyadh. But this new phase "doesn't mean that things will be easy from now on," says Mr. Abdul Aziz Alzamil, the managing-director of the five-year-old state holding company. "These projects will need a lot of support, a lot of push."

"These projects" are the roughly $14bn worth of primary petrochemical plants that will be constructed over the next six years, and which will, through their sheer size, establish Saudi Arabia as a major petrochemical province of the world by the end of the decade.

The rationale of situating energy-intensive industry near the sources of fuel and feedstocks has been aired for many years in Saudi Arabia, but it took the quadrupling of oil prices in 1973-74 for that rationale to become an article of faith.

They have argued long and hard that since primary energy costs now outweigh the costs of labour, plant construction and transportation to markets, there is a supreme logic in placing petrochemical plants—in which energy accounts for rather more than 50 per cent of the costs of production—in Saudi Arabia.

A 50-50 joint venture approach was decided upon very early in the game. But back in the early and mid-1970s, it became evident that no foreign company saw the logic of locating plants adjacent to Saudi oilfields quite as clearly as the Saudis themselves.

Enticements were needed. Before the creation of the Ministry for Industry in 1975 and SABIC in 1976, Petromin, which then had the overall responsibility for industrialisation, mooted the idea of providing foreign partners with long-term entitlements of crude oil.

In addition, the State oil agency initially held out the prospect of completely free energy and feedstocks from the gas collection system which the Government was then thinking of building. Petromin, though, soon settled on a gas price of $0.56 per million BTUs; this figure is expected to be up-dated and raised during the summer.

Apart from oil entitlements and cheap and secure access to gas, plentiful cheap finance has been a major attraction.

Saudi planners came up with the neat formula that requires a foreign industrial partner to raise only 15 per cent of the capital costs of a project, with another 15 per cent coming from SABIC itself.

Capital cost

A full 60 per cent of capital costs will come from the Public Investment Fund of the Ministry of Finance, in the form of extremely soft loans (3 to 6 per cent, with a five-year grace period), and the remaining 10 per cent must be raised in the Euromarket.

Even with such sugar-coating, companies did not line up to swallow the pill, and progress was extremely slow.

Yet, by the end of 1978, the serious players were in and the Saudi industrial future began to take a definite shape. Shell Oil, of the U.S., Mobil and Dow were proposing joint ethylene complexes; Exxon, a large, low-density polyethylene plant; a Japanese group led by Mitsui and C. Itoh; and Texas Eastern and Celanese were looking at methanol plants.

The sailing downstream, though, was still far from smooth. Because of the agonising slowness of the Kingdom's decision-making process, as well as to its painful attempts to formulate an oil policy, Saudi Arabia never clearly specified exactly how much oil to make available to the foreign partners.

One thing was clear: the Saudis were no longer thinking of an entitlements formula of 1000 b/d for each $1m of foreign investment but, rather, a figure around half that size.

The inability of Saudi Arabia to commit itself to a firm entitlements formula held up a final agreement with Shell on the largest planned petrochemical project. It was not until four other projects had been finalised that Shell felt it had enough assurances on oil, and the formula of 500 b/d for each $1m of investment on 15-year contracts with Petromin was finally applied to all the agreements.

The Shell project — "Saudi Pecten" — is huge, and will probably be the largest single jointly owned industrial project in the Middle East, if not the entire Third World. Planned for Jubail, the $3bn plant will have a capacity of some 656,000 tons of ethylene a year when it comes on stream in 1986.

Its planned product mix includes ethylene dichloride, crude industrial ethanol and caustic soda. With the addition of benzene from a Petromin-Royal Dutch Shell refinery nearby, Saudi Pecten is geared to produce styrene which, as Mr. Zamil points out, will spur the development of polystryrene plants nearby.

Mobil, which arguably maintains the best relations with the Saudis of any of the Aramco four, became the first company to reach a final agreement with SABIC on an ethylene complex, in April, 1980. The Mobil project, sited in Yanbu, will be the largest industrial plant on the Kingdom's Red Sea coast. The roughly $2bn plant, using Union Carbide technology, among others, will have an ethylene plant producing 450,000 tons a year.

The plant's down-stream units will produce ethylene glycol and low and high density polyethylene.

For its third and last ethylene complex, SABIC decided late last year to co-ordinate and combine plants it had planned separately with Dow Chemical and the Saudi Petrochemical Development Corporation, the large Government-backed Japanese consortium behind Mitsubishi.

Officials in SABIC say, too, that the Saudis had been having second thoughts about having three large ethylene complexes in Jubail, because of a new preoccupation with Gulf security, fears of an ethylene products glut, as well as the overall energy demands on the nearly-completed gas collection system.

In the new configuration, the two joint ventures will own and obtain ethylene feedstock from a 500,000 tons-a-year ethane cracker, to be located in the SABIC-Dow complex, and will equally own and share the output of an ethylene glycol plant in the SABIC-SPDC complex. SABIC-Dow will by itself have plants producing low and high density polyethylene, and the SABIC-SPDC will have its own low density polytheylene units. The final agreement for both joint ventures—which together will cost upwards of $3bn—is expected to be signed in June.

Exxon, planning a 260,000 tons-a-year low-density polyethylene facility in Jubail, also had problems finalising its agreement with SABIC, but through no fault of its own.

The $1.1bn plant was designed to rely solely on off-taking a proportion of ethylene from Saudi Pecten's ethane cracker, of which SABIC-Exxon would pay 38 per cent of the costs in return for an equal percentage of product.

Exxon, which had long completed engineering studies on its plants, was sufficiently worried early last year over Shell's dilatoriness that it began planning its own ethane cracker, which would have made the SABIC-Exxon complex more self-contained and more expensive.

Apart from ethylene and its derivatives, SABIC has also recently finalised plans for two world-scale methanol projects in Jubail. The Saudi Japanese Methanol Company, a consortium of firms led by C. Itoh, signed the very first agreement with SABIC for a petrochemical project in November, 1979, on a $270m, 650,000 tons-a-year plant. Celanese and Texas Eastern of the U.S. signed a final agreement early this year for a Jubail methanol project equal in output to the Japanese plant, but due to cost $400m.

Markets

The test of all the Kingdom's projects will, of course, be the reception of their products in the international market-place, around the middle of the decade.

SABIC, for one, is not unduly worried because foreign partners are committed to off-taking both their own equity entitlements of products, as well as most of those from SABIC. The burden of disposal, at international market prices, will be on the foreign partner for the first five years of a project. By the end of the decade they should be earning Saudi Arabia $3bn at current prices.

But that is one aspect with which the partners will have to live. Another is SABIC's insistence that every effort be made towards having a fully Saudi workforce—"This is one point on which it is very difficult to reason with them," said one of SABIC's foreign advisers.

Even though none of SABIC's joint projects will employ more than 1,000 people, the problems of finding and training Saudis are legion. SABIC's goal of 75 per cent Saudization, after five years of a plant's operation, is "nearly unattainable," according to an executive of one of the American partners.

A foretaste of things to come

PRIVATE INVESTMENT ABROAD

JOHN CHRISTIE

THE roll-call of Saudi Arabian millionaires is long enough to create a good sized regiment or two. With Government development spending planned at about $250bn over the next five years, there will be no lack of new entrants coming forward to swell the millionaire ranks.

There is always a fascination about what the very rich do with their money, but the growing contingent of Saudi millionaires has an economic significance beyond mere gossip-page interest. Although possessing more local opportunities for investment than other smaller oil states in the region, Saudi Arabia has only limited fields and restricted scope for the internal deployment of private wealth.

Close study and analysis of data and statistics shows that about $20bn of private Saudi capital is presently invested outside the homeland. This is not a vast amount by international standards and is, of course, a drop in the ocean of Saudi total wealth. It is less, for example, than private Kuwaiti Investment in foreign countries.

But the disposition of that $20bn gives some interesting pointers to the preferences and attitudes of Saudi private investors, as well as important likely indicators of future trends. Today's $20bn is but a foretaste of what is to come, and even the most cautious forecasts expect the amounts and the scale of Saudi investment soon to reach significant proportions.

Deployment of private fortunes in Saudi Arabia follows much the same pattern already found in other Middle East oil countries. The first million or so goes into local investment situations, with property and real estate as the favoured first choice. Then a residential property may be bought in London, Paris, or New York. Usually this is followed by tentative and cautious steps into the field of foreign investment proper.

Nevertheless, private Saudi money can be found in practically all kinds of investments in a cosmopolitan range of countries: banks in Britain and the U.S., agribusiness in Brazil, hotels in France, Italian food companies, developments in Gambia, energy business in New Zealand, and real estate everywhere.

By no means all of the Saudi funds go into active or direct investment situations. Much sits fairly passively in banks and investment houses in Europe and America, fulfilling no more of a requirement than a safe and respectable depositary for surplus capital.

About half of the total of $10bn in deposits of the local Saudi commercial banks is placed overseas, mostly in pure financial instruments. The two wholly Saudi-owned commercial banks—the National Commercial Bank and Riyadh Bank—have a 50 per cent holding in the Saudi Spanish Bank, which is designed to channel Saudi funds into Spain.

A bigger role is taken by the handful of Saudi private investment companies which have come into being in recent years. These are predominantly made up of small groupings of private investors and tend to represent the more substantial fortunes. Among the first in the field was the Saudi Arabian Investment Company, owned by the four al Moghrabi brothers who are Saudis of Egyptian origin. Unlike most of its competitors SAIC is based in Saudi Arabia itself, and associated with the institution is Prince Mohammad bin Musaid, the son of a former Minister of Finance, and the entrpreneurial industrialist, Mohammad al Bedrawi. The company runs a bond fund in London and was the first Arab company to invest in Wales, when it set up the HG Tubes consortium with the Welsh Development Agency.

Finarab Trust, registered in Curacao, is an investment vehicle for a small group who are relatives, friends, or associates of Prince Mohammad bin Fahd, son of the Crown Prince. Among its shareholders is Prince Saud al Nayyef, son of the Minister of the Interior; Ali al Quraishi, Abdul Aziz al Rashid and Mwaffaq Midani, who owns the Dorchester Hotel. Finarab looks after about $100m of funds from its operational headquarters in London.

The Saudi Arab Finance Corporation, functioning from Paris with a capital of about $30m, concentrates its efforts in continental Europe. It owns 75 per cent of Al Saudi Banque in Paris and 77.5 per cent of the Saudi Finance Corporation, an investment management company in Geneva. SAFC is largely owned by some of the leading stars in the Saudi business firmament, including Salem bin Laden, Khalid al Mahfouz, Taha Bakhsh, Salem Ahmad Bughshan, and Bahjat Saad Khalil.

The Saudi International Investment Company, the only other investment group based in Saudi Arabia, has brought together some prominent Saudi technocrats; among the shareholders are Jamal Jawa, Vice-governor of Petromin; Abdullah Mahdi, Director General of Civil Aviation; Hussain Abdul Latif, Director General of Zakat and Tax; and Prince Khalid bin Saud bin Mohammad. SIIC says in its publicity literature that it invests for clients who wish to remain anonymous.

Four Saudi individuals, among them Prince Salman bin Abdul Azis, who is Governor of Riyadh, control 63 per cent of the Saudi Lebanese Bank for the Middle East in Paris. The bank has a paid up capital of $12.2m and last year had deposits of $86m.

First Arabian Corporation is another Saudi investment enterprise which, among other investments, has been involved in the UK banking sector and has a majority holding in the Bank of the Commonwealth in Detroit. Two eminent Saudis, Shaikh Kamal Adham, the late King Faisal's brother-in-law and businessman Gaith Pharaon, were among the original stockholders which also included the almost mandatory royal prince, Prince Abdullah bin Musaid.

Conglomerates

A few Saudis have built up large corporate conglomerates whose overseas investments are fully international in character. Among the best known is Ghaith Pharaon's Redec Corporation, Adnan Khashoggi's Triad organisation, and Akram Ojjeh's TAG Group. Both Redec, and Triad have extensive investments in the U.S. as well as holdings in other countries. TAG concentrates on France, Belgium and Switzerland.

Pharaon, Khashoggi and Ojjeh have all caught the public eye with some of their more spectacular deals. In 1978 Pharaon bought 10 per cent of the Italian petrochemical giant Montedison for a reported $43m. Khashoggi's efforts to break into the U.S. banking scene brought him worldwide publicity; Ojjeh's investment included the purchase of the liner France and the St. Germain football team.

Various other Saudis, operating individually and without the use of a corporate umbrella, are significant private investors overseas. Kamal Adham owns 4.5 per cent of Washington General Bancshares, a leading U.S. bank holding company, a share of FRAB International Bank in Paris, and an indirect interest in Allied Arab Bank in London. Prince Nawwaf bin Abdul Aziz has a half share in the New Zealand Capital Corporation, capitalised at $18.5m and has also bought a farm in New Zealand. Khalid bin Salem al Mahfouz, of the family which owns half of the National Commercial Bank in Jeddah is an active investor with substantial holdings in banks in the U.S., Brazil and the Bahamas.

Abdul-Aziz al Suleiman, chairman of Al Jazira bank, has huge interests abroad with big portfolio holdings in several multinational companies. The legendary Sulaiman Olyan, whose business empire is probably the largest in Saudi Arabia, has his own investment institutions in Europe and the U.S. which have bought shareholdings in a multitude of companies. There are many other Saudi individuals whose foreign investments may not be so large but are nevertheless still considerable.

SAMA, the riyal and interest rates

THE Saudi Arabian Monetary Agency is still grappling with the problems of achieving four related objectives—curbing the internationalisation of and speculation in the riyal, maintaining a stable exchange rate between it and the dollar, ensuring a realistic value in relation to the West European currencies and the yen, and preserving low interest rates at home.

SAMA's major success has probably been in its efforts to dampen demand and speculation. Not since 1977 has there been a major riyal-denominated loan syndication.

The critical decision was the one to denominate all contracts of more than SR 300m, in dollars rather than riyals. Thus, contractors no longer needed to buy riyals on a large scale to cover liabilities. Hedging in the forward exchange market was discouraged when in March 1980, SAMA twice revalued the riyal when the market was expecting it to be devalued.

SAMA has also managed to establish a fairly stable dollar-riyal rate after the uncertainty of 1978, when there were 18 adjustments and, in the last quarter some $6-8bn flowed out of the country largely because of the upheaval in Iran. In 1980 the number of adjustments fell to five. So far this year there have been only minor changes in the rate which stands at $3.3587.

Achieving a measure of stability has virtually meant abandoning the link between the riyal and the IMF's Special Drawing Rights. Policy was to peg it at 1 SDR to SR 4.2855 with margins not exceeding 7.25 per cent in either direction. For many months the parity has never been above about SR 4.100. As a result West European currencies and the Yen have become under-valued.

SAMA's most significant failure has been its lack of will and ability to exercise any real control over local inter-bank interest rates, a problem complicated by lack of liquidity, which has tightened recently, not least because of a slowdown in Government payments to contractors.

Difficulties have been compounded by the higher interest rates that can be obtained abroad. Without a market-orientated domestic rate, structure investors have been unable to obtain an equal return on riyal deposits in the Kingdom. There are no foreign exchange controls and Saudis can borrow riyals at rates below inter-bank ones.

SAMA is under considerable pressure, deriving from economic policy and religion—the Islamic prohibition of usury—to keep customers' interest rates below 10 per cent. It has relied on moral persuasion but this has done little to dampen the enthusiasm for arbitrage activities which the low rates themselves provoke.

SAMA, meanwhile, lacks powers normally associated with central banks. Open market operations are impossible because the huge budget surpluses preclude the need to issue a state debt.

The agency could flood the market with liquidity. But this would be ineffective and crude, as well as an inflationary move, that would also subsidise even more arbitrage activity. It remains to be seen how SAMA will resolve the problem.

Period of dramatic transformation

BANKING

DUNCAN CAMPBELL-SMITH

BANKING IN Saudi Arabia is in the process of a dramatic transformation. The great unbanked economy of the Middle East is witnessing a proliferation of new branch networks and an infusion of modern commercial banking techniques which promise—and are intended by the Government to have—profound implications for the development of the Kingdom.

In spite of the changes in Saudi Arabia since 1973, the only two indigenous banks—National Commercial Bank and Riyad Bank—continued until the end of the 1970s to account for more than 80 per cent of the total deposits held by the commercial banking system. The role of 14 foreign-owned banks was severely restricted, and the two Saudi banks had scarcely more than a 100 branches to cover the country.

Restrictions against opening new branches or increasing capital meant that the seven had neither the branch network to compete against the highly efficient money changers in the soukh, such as Al Rajhi Brothers, nor the liquidity, nor have they been in a position to lend beyond the short-term, leaving it to the six Government financial agencies or the Saudi Investment Banking Corporation.

A change was inevitable. Saudi modernisation has demanded massive import financing, immigrant labour forces with all their remittance needs—and a more sophisticated financial system to channel through the economy one major source of funds—internal Government expenditure.

The first major step taken by the Saudi Arabian Monetary Agency, the country's central monetary authority, was to require that all foreign banks in the Kingdom restructure their capital bases to provide 60 per cent equity holdings for Saudi nationals.

The process was begun in 1975 and there are now seven "Saudi-ised" banks: Saudi British Bank, Bank Al Jazira, Al-Bank Al Saudi Al-Fransi, Al-Bank Al-Saudi Al-Hollandi, Arab National Bank, Saudi Cairo Bank, and Saudi American Bank, the latter completing the restructuring of the group when it began operations last July.

There remain three foreign-owned banks whose future is still unclear. Bank Melli Iran, United Bank of Pakistan and Banque Du Liban et D'Outre Mer were to have merged into one Saudi bank. But Bank Melli Iran is believed to have objected to this and no alternative has been agreed.

Once restructured, SAMA authorised the new banks to open more branches. They needed no second bidding. The old British Bank of the Middle East, for example, had three branches; the Saudi British

Dr Ahmed Mohammed Ali, president of the Islamic Development Bank, Jeddah.

Bank already has 12. The Saudi Cairo Bank has 17, Al-Bank Al-Saudi Al-Fransi 18 with seven more on the way.

Where the two banks stand to lose most is in their hold of the enormous deposits of the Government and of state agencies such as the Real Estate Development Fund, the Saudi Industrial Development Fund and Petromin. They have been trying aggressively, and with a measure of success, to attract some of the accounts.

Al-Bank al Saudi al-Fransi is known to be handling Petromin money and the Saudi American Bank has successfully lured funds from the Saudi Credit Bank and foreign remittances of the state pension fund. None so far has been able to tempt the SR 7bn worth of deposits from the REDF.

There are more than 200 branches in the Kingdom and SAMA last month issued licences for another 100.

An important motive for the banks in extending their networks is that Saudi citizens deposits have represented an especially cheap source of funds. Traditional religious objections to the Western concept of interest have ensured that no formal interest rate structure exists outside the interbank market. A substantial proportion of depositors still require only a nominal rate far below that prevailing in the interbank market.

The latest SAMA commercial banking figures, for the year to November 8, show a 23.2 per cent increase in the demand, time and savings deposits of the banks. (In 1978-79 they grew by 13.2 per cent.)

There are clear signs that the era of low cost funds is fast disappearing, however. Perhaps the single most interesting development in the balance sheets for 1980 is the growing Saudi willingness to accept interest on deposits. Islamic qualms about accepting interest have quickly faded as riyal deposit rates have followed those for the dollar upwards.

"Religious conviction seems to wane after 12 per cent," one banker said. One of the banks did a study on customers' attitudes to interest. It found that only 37 per cent of its customers in the Riyadh area still refused interest and that in the more commercially sophisticated city of Jeddah, that "no one had that problem." The demand for interest has come as an unwelcome surprise.

For instance, the Al-Bank al Saudi al-Fransi last year found the cost of its deposits growing by 363 per cent, costing about $20m and reducing the return on assets by 1.2 per cent. The deposit base of the National Commercial Bank, the second largest in the Arab world at the end of 1979, expanded by 11 per cent but its interest payments leapt by 342 per cent from SR 261.7m to SR 1.16bn. In the first downturn in the bank's history, earnings fell from $165m to $142m, its return on assets falling from 2.1 per cent to 1.5 per cent.

The Saudi British Bank, however, increased its earnings and its return on assets to a healthy 2.2 per cent.

No figures are available for the latest performance of Riyad Bank, 38 per cent owned by SAMA, whose financial year ends in May. Its last annual

CONTINUED ON NEXT PAGE

Discontent over foreign workforce

MANPOWER

JAMES BUCHAN

STATISTICS in Saudi Arabia about human beings are as illusory as objects on a desert horizon. At this liquid extremity of the planners' vision, human beings multiply, are transfigured or disappear at the blinking of an eye. Native Saudis swell to a mighty army, Yemenis become indistinguishable from natives, and foreigners lose all substance and vanish.

Because a census in such a vast and wayward land is inevitably a hit-or-miss affair, and because of national self-esteem, the Saudi authorities have consistently overestimated the native population and workforce and underestimated the presence and contribution of foreigners.

In the Third Development Plan, published last year, a total of 1,059,800 is given for the foreign civilian workforce, which would scarcely account for the Yemenis and Pakistanis in the economy, let alone the myriad other nationalities in this modern Babel.

The growth in this workforce is set at a mere 9,000 over the five years, which, if achieved, would undoubtedly seize up the economy and induce hyperinflation.

This statistical mirage can distort, but it cannot disguise the two greatest questions facing Saudi development. How is Saudi Arabia to create from limited numbers and unpromising material the national workforce to run a modern industrial state? How can it develop and protect a somewhat inflexible national identity when foreigners outnumber Saudis in the workforce by two to one?

When the Saudi Government embarked on development in earnest, with the 1975 Second Development Plan, economically active Saudis could not have numbered much over 800,000, at least half of them illiterate or semi-literate Bedouin and farmers. To meet the demands of an investment programme, originally estimated at $142bn, the Planning Ministry predicted that the last year of the plan would see a Saudi workforce of 1.5m, besides about 800,000 foreign workers.

If these were anything more than tentative estimates, which seems unlikely given the well-known distortions of the statistical base, nobody could truly have predicted the flood of foreigners entering the country after 1975. These must now number over 2m, against a Saudi workforce considerably lower than the Planning Ministry's estimate of 1.4m.

The advantages of a rapidly expanding workforce, particularly in a country where native productivity is low, could be seen in the double-figure rates for annual growth between 1975 and 1980. But popular and official discontent at the presence of so many foreigners has grown at the same time.

It is primarily in Nejd, the heartland of Wahhabism and the cradel of the Royal Family, that deep-rooted xenophobia has built up into active concern that the very Saudi nature—that is Nejdi nature—of the Kingdom is at risk. The *ulema* and bazaar zealots fear that social life is slipping out of control and have demanded legislation on such matters as the conduct of women where, in a more coherent past, shame and conscience served.

Threat

The alien threat to custom is lumped together, for the purposes of the Interior Ministry, with the risk to the stability of the state which, given the almost pathological instability of Yemen and the fractious state of the Arab world, would appear to be at least partly justified. Even before the Iranian revolution, the Saudi government had clamped down on subversion at the Pilgrimage and the tendency of pilgrims to stay in the Kingdom to work in the building industry.

In view of Sheikh Hisham Nazer, the Saudi Planning Minister, these are a greater problem for the authorities than imported workers—although it would be remarkable if a strike by Korean workers in Jubail in March 1977 were the last major industrial disruption. There seems no possibility of a widespread granting of citizenship. Sheikh Hisham says the Kingdom is very keen to "avoid the kind of assimilation problem now suffered by West Germany with its Turks and Britain with its Commonwealth immigrants."

So far, the Government has curbed the growth in foreign labour through somewhat bloody-minded restrictions by the Interior Ministry on the issue of visas and the insistence

Sheikh Hisham Nazer, the Saudi Planning Minister

that workers be exported as soon as a contract is finished. This has also provided the Government with one of its few tools to control the growth of the economy although this has been at an inflationary cost in wages, now rising yearly in double figures.

These restrictions will not ease but are unlikely to get worse. The Third Plan's assumptions are that the workforce will increase by only 1.2 per cent a year, or by 146,000 Saudis and 9,000 non-Saudis. This is a net increase from the creation of 310,000 jobs and the loss of 70,000 in farming and 85,000 in construction.

Of foreign workers, about 65,000 will leave the country and be replaced by 74,000 of higher skills to work in operation and maintenance and the service sector.

Leaving aside the question of whether big-spending ministries can actually be brought to heel, these figures do not really fit the Plan's other projections. With major investment still to come in hospital building, housing and the two industrial cities at Jubail and Yanbu, the construction workforce is unlikely to decline, while the drift from the countryside has already been partly arrested by the provision of massive farming subsidies.

The proportion of Saudis actually working will almost certainly remain static or even decline, as the Plan suggests, as schooling attracts teenagers who might otherwise have started work. Although there is clear scope for an increase in productivity, an annual rate of 4-5 per cent, or double the rate of the Second Plan, would appear to be ambitious if the high-productivity building sector is truly to be run down.

The Planning Ministry's fiercely recessionary projections merely impose on the xenophobia of other parts of Government the sensible notion that unless targets for economic growth—essentially the compound of increasing both public spending and foreign manpower—are reduced and a more competitive economy created, there will be no incentive for Saudis to gain skills.

Saudi men freely admit that they set great store by leisure and independence and find little to attract them in the discipline required for jobs in an expanding modern sector. Hence an absolute shortage of managers in the private sector is exacerbated by attitudes. The larger Saudi companies often prefer a Lebanese or British manager and Pakistani clerks to their more wayward Saudi equivalents, even if they could be found.

The public sector is perhaps more attractive because of its short hours and informality but the government cannot hope to raise salaries to attract men of talent from running their own businesses and has been obliged to resort to drafting and coercion, even at ministerial level.

Vacancies

Competition for skilled Saudis is so intense that Aramco, which needs to increase its Hasa labour force by some 20,000 in the next five years, has access to only 50 graduates released by the government from the service they must undertake in return for free college schooling.

At Jubail, which requires only 8,000 men to operate the industries as against a construction workforce of 40,000, it is thought unlikely that Saudis will predominate in the workforce before the next century.

The Saudi government is particularly concerned about the lack of enthusiasm for basic skills. Saudis are traditionally disdainful of dirty jobs and in spite of large investment in vocational training schools, enrolment has been desperately low. The 2,300 young men who enrolled in 1979 compare with over 14,000 Saudis studying in the U.S. alone.

The Plan's targets for education are nothing if not ambitious. Enrolment at schools will rise by 42 per cent for boys and girls (to 1.63m) and at universities by 58 per cent (to 59,300). The government hopes that 40,000 trainees will study vocational skills during the five years. The bureaucracy itself itself will raise its training capacity to 16,000 places.

The plan also commits the Government to restricting the entry to universities in favour of the vocational schools and industrial training. Entrants to the universities will be encouraged to shift from arts subjects to medicine, engineering and administrative sciences which have so far lagged behind.

While women's education is expanding, at least at school level, at the same rate as men's, there seems no chance that Saudi women will enter the labour force in significant numbers.

PROJECTED CIVILIAN EMPLOYMENT 1980-85

Nationality/sex	1979-80 '000	1984-85 '000	Net change '000	Annual growth rate 1979-80/1984-85 %
Saudi men	1,308.4	1,437.4	129.0	1.9
Non-Saudi men	1,014.9	1,023.9	9.0	0.2
Subtotal men	2,323.3	2,461.3	138.0	1.2
Saudi women	103.0	120.0	17.0	3.1
Non-Saudi women	44.9	44.9	—	—
Subtotal women	147.9	164.9	17.0	2.2
Subtotal: Saudis	1,411.4	1,557.4	146.0	1.9
Subtotal: Non-Saudis	1,059.8	1,068.8	9.0	0.2
Total	2,471.2	2,626.2	155.0	1.2

Source: Saudi Arabia's Ministry of Planning, Third Development Plan.

The plan estimates that there are 109,000 women working, although the bulk of these would be in rural areas where women work on small family holdings.

The plan timidly expects "more educated women finding opportunities in mainly urban employment," but their numbers will be largely offset by rural drift. The total number of Saudi women employed in 1985 is expected to be a meagre 120,000.

Although there is mounting pressure among women that they should work, the Saudi towns are increasingly a *rentier* society, and it is axiomatic that *rentier* males do not like their women to work. The hostility of the conservatives has also ensured that where women do work, it is in an almost parallel economy — as in the women-only banks — and the whole paraphernalia that keeps the sexes apart (drivers, guards, etc.) will be more labour intensive rather than less.

The dependence on foreign manpower will thus persist for the indefinite future. Sheikh Hisham accepts this in spite of the bold statements of the Plan. "The Plan is to maintain foreign manpower at present levels and begin a slow process of replacement," he says. "But this is not designed to be completed in five years."

Exploration yields rich rewards

MINING

JAMAL RASHEED

BY 1983 Saudi Arabia should once again be a gold producer. Five years of drilling and tests by a consortium composed of Consolidated Gold Fields and Petromin have resulted in a final and positive feasibility study.

Grades at Mahd, nearly 200 miles north of Jeddah, are reported to be excellent at one ounce per tonne, better than the ratio found in some South African gold mines. The aim is that the mine should yield 2-3 tonnes of gold, 5 tonnes of silver, 1,000 tonnes of copper and 2,500 tonnes of zinc each year.

The mineral potential lying beneath the igneous and metamorphic rock of the Arabian Shield has long been known and, indeed, exploited. Mahd is reputed to be the site of the legendary King Solomon's mines of Biblical times. The seams were exploited during the period of the Abbasid Caliphate from 750 to 1258 and more recently from 1939-54 when the Saudi Arabian Mining Syndicate, established by the U.S. engineer Karl Twitchell, extracted more than 765,000 ounces of gold and several million tonnes of silver.

On the wider front, after nearly two decades of surveying and mapping, by the U.S. Geological Survey and the Bureau de Recherches Géologiques, Géophysiques et Minières, the Saudi Government is about to launch a major mineral exploration drive. The Third Development Plan expresses the Government's determination to "stimulate the development of a sound mineral industry with particular reference to the national policy of industrialisation."

The Government is determined to "stimulate the development of a sound mineral industry with particular reference to the national policy of industrialisation." The Saudis are not in a hurry but in the long-term they want to diversify the economy, not least through mineral exploitation that could be the basis for self-sufficient industries.

Steel plant

For instance, a $600m iron and steel plant to be established at Jubail will need 1.2m tonnes of iron ore a year when it becomes operational in 1983. This will be initially imported but the British Steel Corporation has been helping the Saudis develop the estimated 220m tonnes of ore at Wadi Sawawin, near Aqaba. However, the ore content is poor at around 40 per cent with a high 43 per cent silica content.

British Steel has mapped the deposits and produced a 1,200 tonne sample in order to study its suitability for Jubail. Researchers have developed a process on a laboratory basis to reduce the quantity of silica and once this can be extended to a plant, Saudi Arabia should be self-sufficient in iron ore by 1987-88.

The Directorate General of Mineral Resources (DGMR) has compiled an inventory of non-metallic minerals used for construction purposes, such as limestone, clay, dolomite and glass sand. These will be extensively developed during the new Plan period to reduce the imports of construction-based materials. Up until 1975 only 10 quarry lease permits were asked for and issued. In the last five years a total of 76 quarry leases have been issued, which includes 32 for marble and 21 for clay. No less than 128 stone quarries are in operation and efforts will continue to use Saudi stone for building.

The aim in mineral development is linkage, making sure that only those minerals are as yet exploited which can be absorbed in the non-oil economic sector and will help the economy to diversify.

Extensive phosphorite explorations are going on in the Sirhan Basin and West Thaniyat along the Red Sea coast. The extensive gypsum deposits between Yanbu and Umm Lajj are to be developed to boost local cement production.

Phosphates will be required for the fertiliser factories planned for Yanbu and Jubail. The Swedish company, Granges International Mining, has completed a feasibility study of phosphate mining and estimates that there may be up to 200m tonnes along the Red Sea alone.

French geologists working in the Riyadh region have found 10 to 15m tonnes of zinc at 5.2 content, and copper at 0.3 content. These are low grade compared to the same metals being mined elsewhere, but they will be worth developing in a future where minerals are in short supply.

In the south near the Yemen border a joint venture including the Arabian Shield Development Company, the Saudi National Mining Company and Petromin, is reported to have found deposits of 5m tonnes with a 5 per cent zinc content and a 1.5 per cent copper content, as well as traces of gold and silver.

New deposits

As the first complete surveys of the Peninsular near completion and the Saudis discover new deposits they are faced with many problems. The sheer physical difficulties of mining in Saudi terrain and climate pose a basic challenge. There are acute shortages of water, roads, and other communications in the interior.

Fully aware of this the Saudis have offered attractive financial incentives to foreign mining companies that intend to invest in the country. A mining code and a model exploration licence have long been in existence. Joint venture opportunities with Petromin include interest free loans of 50 per cent of total capital and a five-year tax holiday. The ministry is giving extensive help in opening up areas by building emergency dirt track roads.

The new Plan will also see the first conscious effort by the Government to train Saudis in mining and geological disciplines. Saudis have been working alongside the U.S., French and British survey teams that have been mapping the country over the past 20 years, but there is still a severe shortage of trained Saudi technicians in this field.

In the longer term the most exciting developments are not on land but on the bed of the Red Sea. In a programme that is being watched with keen interest by mining experts around the world, the Saudi-Sudanese Commission is preparing to mine the rich deposits known to exist there.

Preussag of West Germany has completed a feasibility study indicating that silver, copper and zinc, worth a total of $7bn, is lying under 2,000 metres of water, concentrated in the 10-30 metre layers of mud which line vast pools of hot brine. The $30m survey is now evolving a method of cost-effective extraction. It is estimated that reserves amounting to 30m tons of iron ore, 2.5m tons of zinc, 500,000 tons of copper and 9,000 tons of silver are there to be exploited.

Two-thirds of them are thought to be recoverable. The problem is how they can be extracted.

In general, however, the Saudi approach is cautious for the time being. A lease is given to a foreign company only after extensive talks and investigations. World market prices have not encouraged them to press ahead precipitately. The attitude is that minerals can only appreciate if left in the ground.

Period of transformation

CONTINUED FROM PREVIOUS PAGE

report showed total assets of over SR 14bn, which are certain to have grown substantially in 1980-81. The bank now has 74 branches, an increase of 18 in the past 11 months.

It is significant that, of SAMA's 100 new licences, 48 were granted to Riyad Bank and 22 to National Commercial Bank. The Third Development Plan emphasises expansion outside the main cities of the kingdom. The two wholly Saudi banks will be principally responsible for banking in the cities and small towns.

The two banks are modernising their operations to cope with the increased competition. NCB extended its corporate banking activities in the Eastern Province last year, taking loan proposals to the potential customer (typically on a new floating rate basis rather than the old-style fixed rate credit) in preference to waiting for overdraft business to come to the bank. Riyad Bank has this year opened a training school in Jeddah as well as new treasury and computer data departments.

As this suggests, the influence of the banking revolution will go far beyond a simple expansion of the banks' own deposit base. Just as interest rates are not structured for deposits, nor are they for loans.

The cost of a loan cannot be based simply on marginal pricing, that is, adding a variable spread to some pre-defined interbank cost of funds, because too many customers would resent such a blatant use of interest rates. Saudi bankers must therefore resort to what the Americans call the "individual account profitability basis" for their operations.

This means that a bank ceases to worry about consistent pricing on all its products and is careful instead to see that on each separate account it makes a small net gain—extending, for example, cheap credit lines where it knows that the same customer will produce a large volume of trade financing business.

The expansion of the new branches is in its early days. But the trend appears to be towards accounts which provide cheap deposits and receive in exchange from the bank not so much credit facilities but rather, and far more significantly, a range of services to help the customer run his business affairs and trading arrangements more efficiently.

The line between banking and business consultancy is a thin one in this area. Many small Saudi businesses have cash surpluses which, lying idle, represent a significant brake on an economy aspiring to rapid growth. U.S. banking, with what the managing director of one of the leading Saudi-ised banks calls its "care and feeding" approach, could do much to change this.

The experience of the Saudi American Bank since last July illustrates the point. The management's targeted market comprises an estimated 50,000-60,000 small business enterprises in the Kingdom with sales of under SR 20m per annum. Their surplus cash represents perhaps SR 5bn. A recently-opened Saudi American branch in Jeddah called on some 300 potential customers, and more than half had no bank account.

To win this business, Saudi American is offering the products familiar enough in Ohio but new to most Saudis: comprehensive documentary facilities, regular inventory financing lines and basic cash and asset management assistance, all supported with electronic banking services.

The latter depends largely on a computer software programme called "Paradise," as well it might be—in its first five months of operations, Saudi American earned SR 109m on a share capital of SR 300m.

This example is perhaps not entirely typical of all the Saudised banks. But all have grown quickly in size and sophistication and as a group they remain highly profitable by any international standards. Their earnings last year returned 2.5 to 5 per cent on assets, yielding dividends of about 15 per cent and substantial additions to shareholders' capital even after generous diversions into various hidden reserves.

Increasing competition will add to other, familiar problems for bankers in Saudi Arabia, notably the volatility of interbank rates and the market's occasionally sharp illiquidity as high eurodollar rates continue to draw domestic capital into foreign assets (There are no capital controls.)

But these much-discussed problems appear of far less consequence than the broader impact of a sector which perhaps has the potential to do as much as any other in the country to help turn the daunting blueprints for the Kingdom's future into a practical economy.

Foreign bankers visiting Saudi Arabia—and particularly those from Bahrain, whose offshore banking units continue to derive a major part of their business from the Kingdom—will inevitably find the going rather harder in the new environment. But few bankers expect any real squeeze on the visitors for some time. The opportunities arising from the five-year plan are seen as huge enough to postpone this issue.

Indeed, the growth of the economy is likely to intensify the complementary nature of the Saudi banks' ties with Bahrain in many respects. No Saudi bank can issue letters of guarantee for any one client to a value of more than 20 per cent of its capital and reserves. The OBUs, whose international parents offer larger capital bases, will remain vital in this area.

A facility which has just been arranged for Saudi Oger, providing bonds worth SR 833.8m and the largest issued in the region for a single company, was lead managed by Arab Bank in Bahrain. Its 26-bank syndicate includes two Saudi banks and 15 OBUs.

It will take time, too, for the Saudi-ised banks to consolidate their expansion with sufficient staff to compete with many of the specialised wholesole banking services offered from Bahrain. Only in the direct lending business, after all, is their access to cheap deposits gives the Saudi banks an indisputable advantage.

Again, many Saudi bank managers may find it occasionally less attractive to employ these cheap deposits in the domestic credit market at rates of 10 per cent and less when they can place them in the interbank riyal market at rates several percentage points higher. The Saudi interbank market is far less sophisticated than the riyal market in Bahrain, where the volume is estimated at SR 6-8m, and many OBUs expect their riyal interbank business to rise substantially in the wake of developments in the Kingdom.

Further afield, the Saudi International Bank has made a growing impact. Established in 1976 and based in London, the institution, which is 50 per cent owned by SAMA, increased its balance-sheet from £785m to £1.2bn last year and plans to continue expanding at this rate. Until last year money market investments made up the greater part of the banks' assets but the trend in its business recently has been towards international loans.

Originally created as a Saudi window on international markets and to provide nationals with experience, SIB, which has a technical assistance agreement with Morgan Guaranty, appears to be acting increasingly as an intermediary for the Government and is now believed to be handling some of the state's foreign assets. That would be one reason for its remarkable growth over the past two years. It looks destined to take an even higher profile in the Euromarkets in the coming years.

Tight profit margins for overseas contractors

CONSTRUCTION

EDMUND O'SULLIVAN

THE SAUDI construction market is, possibly, the Middle East's biggest and, almost certainly, the region's most competitive. The continuing modernisation programme is producing a stream of very large projects, but the ease with which contractors can enter and leave the Saudi market ensures the industry's profit margins are, in general, tight.

Project spending in the third plan is creating a boom in the construction market. Nevertheless, individual contractors are lean because of the surplus capacity in the industry.

Tight market conditions, in spite of big increases in the 1980-81 budget allocations, owes much to official policy. Getting value for money is a priority for Saudi policy-makers which overrides to a great extent the objective of encouraging indigenous contractors to take a bigger share of the country's construction business.

The vast majority of public sector building contracts, and most private jobs as well, are put out to open tender. Usually, the lowest bidder will be awarded the project, though local contracts will be successful if their estimates are no more than 10 per cent above the cheapest, and their work is of a similar quality.

So far, only one market sector is dominated by Saudi companies. At the end of 1980 Crown Prince Fahd announced road and bridge work should be given exclusively to local contractors. A policy to this effect had already been operating for some time, foreign contractors working in the Kingdom say.

A recent example of the policy is the Dammam-Riyadh section of the transpeninsular highway. Six of the eight contracts went to wholly Saudi-owned companies.

Stiff competitive pressures notwithstanding, most foreign contractors can be expected to maintain their presence in the Kingdom because construction will continue to account for a major proportion of gross national product. The Government forecasts that the industry will grow, but more slowly during the Third Development Plan than in the 1975-80 period.

Productivity increases will allow the construction labour force to fall to 245,000 compared with the 1980 peak of 333,000. Combined private and public sector construction spending is forecast to total SR 440,000m at constant 1979-80 prices during the plan period. This is equivalent to just over 55 per cent of the non-defence related elements of the country's total five-year budget.

In spite of the growth of private commercial and industrial activity, the public sector will continue to be the most important influence upon the structure of the Saudi construction market for the foreseeable future. Market activity peaks when the flow of funds through the principal spending departments is at its highest in the middle of the fiscal year. It falls off noticeably at the beginning and end of the period.

The demand for construction services is strong in most market sectors, although contractors say some regions of the Kingdom offer fewer opportunities than they did in the 1970s. Construction in Jeddah has certainly peaked, and the focus is shifting to Riyadh and elsewhere.

Activity

Recent visitors to Riyadh will have been impressed by the obvious signs of intense building activity. The Government's hand in the boom is apparent.

In January this year Blount of the U.S. and Bouygues of France were awarded the $1.7bn Riyadh university campus contract after several years of negotiations. The same month, tenders were called for the Saudi Arabian National Guard (SANG) housing complex at Khashm al-Aan on the road to al-Kharj.

Further contracts related to this project are to be let during the Third Development Plan.

One of the biggest opportunities for contractors in the Riyadh area will be the diplomatic quarter. The Government has decided that all foreign embassies should be based in Riyadh rather than Jeddah. Work started in December 1979 on infrastructure for a self-contained diplomatic quarter outside Riyadh on a site adjacent to Riyadh university.

During the Third Development Plan, every foreign embassy will build their offices in the quarter according to their chosen design.

A range of public buildings will be erected in the quarter. Some are already being built.

Korea's Kuk Dong Construction Company — which partners Japan's Mitsubishi and the locally based Ibrahim al-Rashid al-Humaid and Brothers in the infrastructural project — was awarded in mid-1980 the contract to build a housing complex for the Saudi Foreign Affairs Ministry. Consultant is West Germany's Speerplan Regional and Stadtplanner.

Work on the diplomatic quarter itself should start this year. Bids on the first of the quarter's public buildings were to have been called before the middle of the year.

The U.S. State Department has appointed the architect to design its new Riyadh embassy. It is Caudill Rowlett and Scott, of Houston, a company with substantial experience in the Kingdom. It is consultant for the expansion of Dharan's Petroleum and Minerals University.

A third prestige project in the same area is the King's Office, Council of Ministers and Majlis al Shoura complex — designed by Professor Rolf Gutbrod of West Germany—which is being built on a site close to the university and diplomatic quarter.

Probably the biggest non-military project in the Riyadh area is the new international airport. Although covering a bigger area than Jeddah's new airport, which was to have been dedicated in April by King Khaled, Riyadh airport will ultimately cost less and have taken much less time to complete.

Unlike Jeddah airport, where four separate terminals have been built, the focus of Riyadh's airport is a single, very large building of consistent design.

The project is being managed by Bechtel Corporation in partnership with the U.S.-based Helmuth, Obata & Kassabaum architectural consultancy. Both are old Saudi hands. Bechtel is a joint venture partner in Saudi Arabian Bechtel which is managing Jubail industrial city, and HOK participated in designing Riyadh University campus.

Final cost of the airport is expected to be no more than $4.5bn, while at least $5bn has already been paid for the Jeddah project, which will not be fully complete until the mid-1980s.

In comparison, public sector building activity in Jeddah is very light. The new airport will continue to be a source of work, though not on the scale of the contracts for most of the civil work—including the beautiful but still incomplete Hajj terminal—which were awarded to Hochtief of West Germany. Korean contractors are close to completing Jeddah's King Abdel-Aziz university, and public housing building is minimal.

Some contractors are looking hopefully at the nascent private sector. The commercial banks are expanding—for example, the National Commercial Bank is building a head office close to the lagoon on Jeddah's coast road.

Interest

A new interest is commercial centres which combine shopping arcades with offices. There are several in Jeddah and more will be built by private developers, contractors say.

However, opportunities are emerging increasingly in parts of the Kingdom previously untouched by modernisation. One of the third plan's objectives was to decentralise development to the regions, and to improve social amenities in smaller towns.

In this category, two major programmes have attracted considerable interest from the international construction community. Just under 50 per cent of the building contracts in the SR 2.4bn vocational training scheme have been let, and the rest will be awarded probably within the next 12 months. The programme entails building 18 centres throughout the Kingdom.

A considerably bigger development is the hospital building programme. A total of 25 contracts to build major hospitals have been put out to tender since the summer of 1980.

Unquestionably, the most significant source of construction opportunities in the next five years will be the industrial cities being built at Yanbu and Jubail. Both are planned to have populations of at least 100,000 by the end of the century, complete industrial estates and active ports.

Jubail is at the most advanced stage. At Yanbu, where work is just starting on a huge industrial port, about 5,500 companies had registered to be considered for construction and supply work.

The hearts of both new cities are petrochemical and refinery complexes which will be built in the next five years. One entirely new export refinery will be built at each, along with one lube refinery, and six petrochemical complexes are to be erected at Jubail and one at Yanbu.

Each project will cost at least $1bn to complete, with the possible exception of the lube plants.

One further source of new business is the Ministry of Defence and Aviation. It was the recipient of the biggest share of the 1980-81 budget: about 28 per cent of the total of SR 245bn. Most of its allocations are spent on infrastructure—new airports, offices and so on.

Three military cities are under construction at Tabuk, Khamis Mushayt and most recently at Hafr al-Batin near the Iraqi border, where the equivalent of more than $80bn is being spent on a town that will eventually accommodate 70,000 people. A fourth military city, to be built near Dhahran, was announced recently.

Meeting this massive demand for construction services is a huge number of contractors. Foreign companies dominate the large and complicated projects such as petrochemical and refinery contracts. Japanese and U.S. contractors have a good track record, notably Chiyoda, Mitsubishi, JGC Corporation and C. E. Lummus and Fluor Corporation.

The market leaders are the Koreans, who have won the largest single slice of the simpler construction work in the last five years. The biggest participant was Hyundai, which was banned from winning further public work in 1979 after allegations of attempted bribery. At that time, the company was working on $2bn of contracts.

A new and increasingly competent group in the industry are Saudi-owned contractors. Some are competing for the biggest and most difficult jobs. For example, MABCO Prefabricated Building Company was a contender in the SANG job tender. Also, they are successful with increasing regularity. Riyadh's El Seif Engineering is low bidder for four of the Health Ministry contracts.

Huge demands for power

ELECTRICITY

JAMAL RASHEED

ONE OF the first words any visitor to Saudi Arabia hears is an English word, and an abbreviation at that. It is "AC" meaning air-conditioner. Nowhere else in the world has air-conditioning become so much a part of life as in the Kingdom but the staggering amount of electricity needed to run these installations is often overlooked. Saudi Arabia has the world's highest growth rate for electricity consumption, averaging a 37 per cent increase every year: for the Riyadh area this figure is even higher at 50 per cent.

Saudi Arabia's Third Development Plan has allocated SR 52bn ($16bn) for the development of electricity generation in the Kingdom. It is the largest sum allocated to any one industry.

The Second Development Plan has already seen momentous growth. The total consumers served in 1979 was 4.2m compared with 2.2m in 1975. By the end of the Plan period in 1985 it is estimated that the most distant oases and villages will have electricity and 9m people will benefit.

According to the latest report of the Saudi Arabian Monetary Agency (SAMA), investment outlays by the electricity companies totalled SR 3.5bn in 1979-80, as a result of which generating capacity rose by 38 per cent from 2,841 MW to 3,935 MW. In the last two years high and low voltage transmission networks expanded by 2,287 kilometres and 2,997 kilometres respectively. Because of the huge distances involved there is no single national grid but five regional grids are being rapidly integrated and their equipment standardised.

In the Eastern Province Aramco is managing the SR 1.45bn amalgamation of 40 small companies into the Saudi Consolidated Electricity Company (SCECO). By 1982 it will be supplying Riyadh itself.

At the moment there are nine power plants with a generating capacity of 1,882 MW but 21 additional gas turbine generators are being added so that by next year SCECO's total integrated capacity will be 4,722 MW. In addition, when the Jubail and Aziziyah desalination plants come on stream they will be producing an additional 2,000 MW.

Work on the unification of the transmission network for the Jeddah-Mecca-Taif region began in 1979. By the end of 1980 51,000 connections had been made. A computer at Jeddah load centre will monitor power transmission through two double circuit lines, the first being the largest in the Kingdom, with a capacity of 2,400 MW.

Rural networks

Rural power networks in the Western Province and the Jizan area are being constructed by the Bharat Heavy Electricals and is expected to involve 6,000 connections to small towns and villages. The state-owned Indian concern was chosen in 1977 because of its low tenders compared to those of Western companies and India's known experience in rural electrification. Once this project is completed even the smallest areas of concentrated population will be supplied.

Early this year Dr. Ghazi Ghosaibi, Minister of Industry and Electricity, signed a SR 70.8m contract for supervising the construction of the central electricity project for Hail. The total project, worth SR 1.2bn, has been divided into nine phases. Ultimately there will be a 3,650 km. distribution network.

Most of the country's electricity generation is being carried out by gas turbines. Last year SCECO hosted an international conference in Al Khobar to discuss the advantages and disadvantages of using gas turbines.

They have a very short start-up period, often as little as a year from tendering to commencement of generation, with another three to five months needed for testing, but there are serious limitations as well. The most important is that because they operate at higher temperatures than other kinds of generator they have a shorter life and a maximum power output of only about 100 MW. Maintenance costs are also high.

Saudi Arabia is faced with acute problems in maintenance and in creating a qualified technical labour force to run the expanding system. Pakistani and Indian workers and technicians are in the majority in most places. The Third Development Plan shows some determination to train an indigenous workforce. A power systems training centre will be established in Riyadh to train operators and maintenance crews for the utilities around the Kingdom.

Substantial expansion of rural networks is planned and the programme is being co-ordinated by the General Electricity Corporation, set up in 1976. In 1980 a total of 143 villages and 41,000 rural consumers received electricity. The Government is continuing to pay substantial subsidies to smaller electricity companies which are providing services at a loss. Electricity prices in Saudi Arabia remain some of the lowest in the world. They have not changed for the last seven years with the general consumer having to pay just seven halalahs per kilowatt and industrial users five halalahs.

The most important and far-reaching aspect of the latest five-year programme concerns the co-ordination and integration of the power grid systems throughout the country. Schemes for the development of manpower, standards and specifications, and operations and maintenance are all being undertaken by the various companies separately but they are being supervised by the Ministry of Industry and Electricity. Flexibility to run on either oil or gas will be incorporated in generating plants to ensure cost-effective utilisation.

It is estimated that by 1985 installed capacity will have risen by 7,568 MW to 12,445 MW, ten times the total of only 15 years ago. Some 6,000 km of transmission line are to be laid, largely in the rural areas and 600,000 new consumers will be connected. A total of 35 new contracts for electricity distribution will be given over the Plan period and the majority will tend to go to Asian contractors.

Desalination plants around the coast will also be producing smaller quantities of electricity which will be fed into their respective regional networks.

Electricity in the Kingdom is big business but that does not hide the fact that there is enormous wastage of power, which comes as a shock to many Africans and Asians working in the country.

York and Juffali are setting up a plant to manufacture air-conditioners inside the Kingdom and there is a new branch of philosophy behind the major air conditioning companies as they open up newer and bigger offices in Saudi Arabia.

هكذا من الأصل

Incentives for a wider industrial base

MANUFACTURING SECTOR

JOHN TOWNSEND

THE SAUDI Government is committed to industrialisation as a means of lessening the longer-term dependence on hydrocarbons. It follows that the Government's policies for the establishment of non-hydrocarbon-based manufacturing industry in the Kingdom are of considerable importance.

These policies have three major elements within the overall framework of ensuring that Saudi Arabia remains a free-enterprise society.

- The Government itself is investing in high capital cost or strategically important key industries.
- Through the Ministry of Industry and Electricity, it operates a policy of licensing and regulation of industry to avoid duplication and to encourage those industries with most immediate relevance to Saudi Arabian market demand.
- Through the Industry Ministry and the Ministry of Finance and National Economy, it operates policies offering significant incentives to Saudi *and* to foreign companies contemplating industrial investment in the country.

Non-hydrocarbon-based manufacturing occupies a small but fast-growing part of the Saudi economy. In the 1960s, its contribution to GDP was well under 2 per cent, at the end of the First Five-Year Development Plan in 1975 the contribution was 2.4 per cent at constant 1970 prices, and at the end of the Second Plan last year the contribution, again at constant 1970 prices, was 2.8 per cent.

Total Saudi GDP grew at a compound rate of 13.4 per cent over the First Plan period and 8 per cent over the Second Plan period. Non-oil GDP grew at rates of 11.7 and 15.1 per cent respectively over the same periods, and the contribution of non-hydrocarbon-based manufacturing increased at rates of 11.4 and 15.1 per cent respectively.

There are two industries in the first element of Saudi Government policies, that is, direct public sector investment in key industries. Through the Saudi Arabian Basic Industries Corporation (SABIC), the Government has joint venture agreements with Korf Stahl AG of West Germany for the construction and operation of a direct reduction steel plant at Jubail with an annual capacity of 850,000 tonnes. A rolling mill is linked to this plant. The complex should be operational in 1983.

The agreement with Korf also covers the modernisation and expansion of the existing Jeddah rolling mill which should be producing 150,000 tonnes of steel bars a year by 1983. The total production of the Jubail and Jeddah plants will be consumed in the local Saudi market and the country aims to be self-sufficient in basic steel reinforcing bars by the end of 1983.

Second, the Government set up the wholly-owned Grain Silos and Flour Mills Organisation (GSFMO) in 1972. This organisation is a manifestation of the Saudi concern with food security; it has four grain silo complexes and three wheat flour and animal feed complexes. These complexes allow the Government to store six months' supply of wheat and to be self-sufficient in flour production. Animal feed concentrate production contributes about 25 per cent of total national requirements.

The grain silos are located at Riyadh, Dammam, Qasim and Jeddah and the flour mills at Riyadh, Dammam and Jeddah. The Third Five-Year Plan calls for the construction of two new grain storage, flour and animal feed mill complexes, one at Khamis Mushait and the other at Jizan.

The Ministry of Industry and Electricity acts as the Government's regulating and licensing arm for industry. Although the Ministry stops short of acting as a broker bringing Saudi and foreign joint venture industrial partners together, the Minister, Dr. Ghazi al Gosaibi, plays a sensitive, even crusading role in seeking to encourage further industrial development in the Kingdom and in the establishment of regional industrial projects with, for example, Kuwaiti and Bahraini entrepreneurs.

The range of incentives offered by the Government to local and foreign investors in Saudi industry (provided the latter are prepared to enter into a joint venture with Saudi partners) is comprehensive and generous.

Through the Saudi Industrial Development Fund (SIDF), a Government-owned industrial development bank operating under the aegis of the Ministry of Finance and National Economy, loans of up to 50 per cent of the capital of a project are made to licensed and approved projects. This loan is in theory interest free, but in practice SIDF charges a 2 per cent servicing fee annually on the outstanding balance of a loan.

SIDF approval and acceptance is taken by commercial bankers as evidence of the essential viability of an industrial project for loan purposes.

Machinery and equipment imported for an approved industrial project benefits from a tariff exemption, and the entrepreneurs in the project are accorded a 10-year tax holiday.

Big subsidies

Electric power and water are provided at heavily subsidised rates and essential infrastructure is provided by the Government. It also offers substantial training subsidies for the training of Saudi nationals in the appropriate industrial and technological skills. Investors in industrial projects in Saudi Arabia are also aware that Government procurement and purchasing policies will give them preference, one which will extend to a 10 per cent price difference between local and competing imported manufactured articles.

Finally, the Government is prepared to put a protective tariff of up to 20 per cent on imported competing products provided it can be convinced that the Saudi consumer is not suffering as a result.

If a prospective entrepreneur is still undecided, the Government can offer him consultancy services through the Saudi Consulting House, a wholly-owned organisation operating commercially under the overall direction of the Ministry of Industry and Electricity.

It is not surprising, therefore, to see an increasing number of Saudi businessmen investing in joint ventures with foreign partners, in spite of the often-repeated Saudi preference for trading.

The big names in Saudi business, the Alirezas, the Juffalis, Suliman Olayan, Ahmed Hamed Algosaibi, are involved in industrial joint ventures with well-known international companies. The Eastern Province Alirezas (Abdulla and Teymour Alireza trading as the Alireza Group) spurred, like so many Eastern Province merchants, by the very large market opportunities offered by ARAMCO, established the National Pipe Company in which the joint venture partners are Sumitomo Metal Industries and the Sumitomo Corporation.

This project is perhaps the largest single private sector industrial venture in Saudi Arabia and other Saudi partners have been invited to take a share in the venture. Production has started and the mill, situated in the Dhahran area, has an annual capacity of between 80,000 and 100,000 of high grade spiral welded pipe.

Suliman Olayan has invested in a number of industrial ventures in the Eastern Province, some as joint ventures with foreign partners, some as wholly-owned companies. Among the former is the Saudi Chemical Co. in which Nitro-Nobel AB is his partner, and among the latter are the *Aluminium Products Co. and* the Saudi Plastic Products Co.

The Saudi Chemical Co. has built up an export business in the Gulf as well as a large local business. The other two companies service the Saudi construction markets with extruded aluminium products and the Saudi consumer market with a range of plastic utensils.

Ahmed Hamed Algosaibi (not related to the Minister of Industry) started his business career, like Suliman Olayan, as an employee of ARAMCO. Again as with Suliman Olayan, the ARAMCO connection led him into business ventures especially in electric power generation, cement and in the Saudi-Arabian Fertiliser Co. (SAFCO).

Current industrial joint ventures include the Oilfield Chemical Co. (with Esso) and Continental Can of Saudi Arabia (with Continental Can of the U.S.). Ahmed Hamed Algosaibi is also a partner with the Alireza Group in the National Pipe Company.

The Juffali brothers started their business in Jeddah and the Red Sea coast area in the late 1940s with an electric power station concession under an agreement with General Electric Company of the UK. Subsequently they acquired the Mercedes Agency, which contributes significantly to their fortunes and which led them to establish a joint venture truck assembly plant in Jeddah with Mercedes, the National Automobile Industry Co.

Inevitably, the booming construction market in Saudi Arabia has encouraged the formation of industries specialising in the supply of construction materials. The Saudi cement industry has experienced rapid growth, but has still only been able to meet on average about 30 per cent of local demand. Plants to be constructed during the Third Plan period should make Saudi Arabia largely self-sufficient. Two are being built with Kuwaiti and Bahraini joint venture partners.

For the future, the government wants to put a much higher priority on what it refers to as high technology joint ventures. Its list of priorities for private sector industrial expansion include industrial gases, intermediate petrochemicals, metal products and automotive parts.

Although the government has issued a trade mark law and is said to be working on a patent and technology licensing law, so far the only protection a foreign joint venture partner has for his technology is the goodwill of his Saudi partner, together with whatever value he has been able to put on his technology in capitalising the project.

This lack of protection and of licensing legislation for technology is making some foreign companies very careful about entering into joint ventures in Saudi Arabia.

The Saudi Government is prepared to put a tariff of up to 20 per cent on imported competing products. Above: A shipment arrives at Jeddah seaport

Largest market in the Middle East

INSURANCE

EDMUND O'SULLIVAN

THE INSURANCE industry is coming in from the cold in Saudi Arabia in spite of the orthodox Muslim belief that insurance conflicts with the principles set out in the Shariaa.

A total of 30 offshore companies with varying degrees of Saudi participation have been selected to provide insurance cover for the Royal Commission for Jubail and Yanbu's projects. This will entail premium payments of up to SR 60m this year, compared with the SR 30m paid to the companies in 1980.

The wrap-up programme, put *together by U.S. broker* Alexander and Alexander and Saudi Arabia's United Commercial Agencies (UCA), could be the model for future government project insurance contracts. It appears to have been designed to encourage the development of the locally-owned insurance industry, suggesting the government is prepared to see wider cover throughout the Kingdom.

The Saudi insurance market is considered to be the biggest in the Middle East, offering a wide range of opportunities to international insurers which are feeling the effects of over-capacity in world markets. Last year's premium income was put at about \$1.5bn-\$2bn. There is scope for this figure to grow, as infrastructural projects are completed, and more Saudi citizens take out insurance cover for their homes and cars. It has been estimated that no more than 30 per cent of Saudi vehicles are insured.

Nevertheless, the unregulated Saudi insurance market is *highly competitive. Premiums* have been cut by the ease with which companies can enter the market. Some brokers say this has made the Kingdom's industry vulnerable to a major loss. Insurers are becoming aware of this, and are starting to establish a self-regulatory framework to restrain excessive rate-cutting.

In spite of the emergence of Saudi-controlled insurance companies, foreign insurers take the largest share of Saudi premium income, according to industry estimates. Most are represented in Saudi Arabia by three giant *insurance specialists — UCA*, owned by Ghaith Pharoan; the Lebanese-owned Nasco Karaoglan Group; and the UK-Saudi joint venture Arab Commercial Enterprises. The larger Saudi-controlled companies also operate through the "big three."

Ultimately, Saudi risk is reinsured and finally placed in one of the major insurance centres. The new locally controlled insurers are making no attempt to challenge the position of Lloyd's, *brokers say*.

The importance of the Royal Commission's programme and a similar plan for the new Jeddah international airport is that it indicates the government is moving towards official recognition of the industry's role in Saudi Arabia. The long-term result is expected to be a "Saudi-isation" of insurance in the Kingdom with companies with local shareholding being given preference over foreign insurers.

Leading Saudi companies are already active in the market. For example, EA Juffali and Brothers of Jeddah *is* a shareholder in the National Insurance Company.

A new element in the market is the emergence of demand for decennial liability insurance cover. Contractors' responsibility for a project for up to 10 years after construction work is completed is not unusual in the Middle East, but is relatively new in Saudi Arabia.

However, some Government departments are seeking a longer-term commitment from contractors to Saudi development. Decennial liability insurance cover is becoming a contract condition with increasing frequency, though it is still a limited phenomenon. Brokers say this trend could grow.

Signs of growing interest in how the industry develops in the Middle East can also be detected in other Arab states. One result is the establishment of the Arab Insurance Group (Arig) which will probably start operating from its Bahrain head office on July 1. The company—which is owned by Kuwait, Libya and the UAE—plans to offer reinsurance services principally for local markets, but it may eventually take business worldwide.

The development of indigenous insurers such as Arig and the growing number of Saudi-backed companies, may have been encouraged by recent Gulf events. Lloyd's of London's decision to declare the Gulf a war zone in mid-1979 is reported to have angered Gulf businessmen.

However, there is little to suggest the emergence of local insurers reflects anything more than the desire to reap some of the income which is being enjoyed almost exclusively by foreign companies.

Pilgrims from Yemen arrive at Jeddah. As many as 1.5m people are expected to fly in for the pilgrimage to Mecca this year

Pride in the world's most lavish and largest airport

AIRPORT DEVELOPMENT

JAMAL RASHEED

NOTHING BETTER epitomises the wealth, aspirations and, indeed, the responsibilities of Saudi Arabia than the King Abdul-Aziz International Airport near Jeddah.

Covering an area of about 40 square miles, it is the largest in the world. The site is twice the size of Manhattan and half as large again as Kennedy, La Guardia, Newak, O'Hare, and Los Angeles airports combined. The facility is an extravaganza on which virtually no expense has been spared.

At present the cost is put at about SR 17bn (£2.4bn) but by the time it is completed the total will almost certainly exceed SR 20bn.

The project abounds with superlatives and records. The Hajj terminal, designed to cater for the annual influx of pilgrims, is one of five. It has the largest roof space in the world covering 1.5 square kilometres.

Suspended from massive steel pillars are 210 fibreglass tent-like roof structures, standing 10 storeys above the ground. Below these massive domes are the terminal facilities divided into 10 modules, each one a self-contained mini-city with every facility such as banks, souks (shopping areas), restaurants and even hot plates for the poorer pilgrims to heat the food they bring with them.

Capable of handling 20 Jumbo jets simultaneously the terminal can process 80,000 people a day at peak capacity.

This year one third of the terminal will be used for the short but intense Hajj traffic when as many as 1.5m people are expected to fly in to perform the pilgrimage to Mecca.

"There is no other occasion where so many people gather in one place for so short a time, and it is a daunting operation for any airport," said Sameer Maddah, the Hajj Terminal Manager who is trying to cut the 15 hours it takes to process a pilgrim to a more reasonable four hours.

At the terminal there are special loading bays from which 600 buses will transport the pilgrims to Mecca.

There are three main runways, one which will be used by the Airforce and its transport corps of C-130s. In between the two civil runways lie the five main terminal buildings.

The Saudia Terminal, for the national airline's own use, has been designed by Edward Durrell Stone Associates and is a marbled masterpiece with curved roof, luxurious attached hotel and gardens and fountains conceived and constructed in a manner befitting the Arabian Nights. Over 6,500 tons of marble have been used in this fully automated terminal, which will be handling 3,600 passengers an hour by its 40 mobile lounges.

The North Terminal will handle all other international flights, and will have a capacity of 2,500 passengers an hour. King Abdul-Aziz Airport will also have the largest air cargo terminal in the Middle East, capable of handling seven Boeing 747 jet freighters simultaneously, and dealing with up to 150,000 metric tons of cargo a year.

Pavilion

Structured like a warrior's pavilion, the Royal Terminal is for the sole use of the ruling family and visiting dignitaries. It has a solid copper roof and an interior of marble, mahogany and teak.

A special building will be able to provide 47,000 meals a week to the 40 airlines which will be using the airport.

Construction managers for Jeddah are Saudi Arabia Parsons and Daniel International. The main contractor has been the German construction giant Hochtief. They have been handling nearly 50 sub-contractors and 10,000 workers from 35 countries who have been putting the finishing touches to the project. Some 2,600 European and American families live in the Hochtief mini-city which is on site and has swimming pools, games, a theatre and even German food shops.

A special concrete block plant has been turning out construction materials for the numerous projects.

The airport has its own desalinating plant on the nearby Red Sea coast producing 10m gallons of water a day, and a massive underground city carrying water, telecommunications and power has been built into the desert soil with refuelling facilities also carried by underground hydrants.

Jeddah has benefited greatly from the airport. The old airport will slowly be phased into the new one and the space will be turned over to urban development schemes. A network of roads and flyovers has been completed which will connect the airport directly to Mecca, Medina and Jeddah. There are parking facilities for 11,000 employees and more than 20,000 travellers.

Riyadh airport is being built on an even larger scale at an estimated cost of SR 14.5bn, 35 km north of the capital. Phase One of the construction programme is being completed on a 240 square kilometre site. Initially there will be three terminals, an international domestic and a "Kings' Terminal." There are separate departure and arrival highways to the city and the design concept, produced by the managing contractor, Saudi Arabian Bechtel, is based on modular expansion to be built on as the needs of the city grow. The old airport inside Riyadh was directly in the path of the city's future development, and this space will also be given over to urban development schemes.

Riyadh now has a total of 9,000 workers. The labour force will peak next year with an additional 3,000 men working for a total of 59 subcontractors. An illustration of the latest technology being used in the airport design and construction is the fact that the worldwide procurement of goods and construction materials is operated via satellite and computer.

Both airports have extensive landscaping, nurseries and tree-planting programmes. A special green plant that needs only two waterings a year has been grown on site to prevent soil erosion.

Manpower

Some 72,000 trees and 2.5m other plants have already been placed at Jeddah airport and a permanent nursery turning out 15,000 trees a year has been established. Recycled waste water is used for the plants.

Magnificent they may be, but both airports face a number of problems, the most important being the question of manpower. By 1985 Jeddah is going to need a staff of around 15,000 people. Although training programmes have been started for the required Saudi management personnel, there will not be enough nationals available. Seventy Saudis are at the moment taking management courses in the U.S. and West Germany but the sophistication of these airports will need highly qualified operators. Maintenance of the airport has already been contracted to Hochtief and the cleaning contracts to South Korean companies.

Manpower problems highlight airports that many Western aviation experts regard as "white elephants." They are too big and will never be fully utilised, according to some commentators. Last year Jeddah processed just over 6m passengers, compared with 30m for a busy U.S. airport. Will the airport be really functional? Major Jalil, public relations officer at Jeddah, replies: "Such an airport serves more than a function — it is a symbol and serves as a service and a backdrop to Islam's most holy place —Mecca."

Even if it is too big and has initial operational difficulties, this single airport is going to be setting international standards for future airport construction and will be an important testing ground for the latest technology. The Saudis have the money and space to conduct such vast and breath-taking experiments. The whole air-traffic world will be watching this project very closely once it gets operational.

A key role in Kingdom's future

SAUDIA
PETER MANSFIELD

IT WOULD be difficult to prove that any of the world's airlines have grown or are growing as fast as Saudia. Its great surge forward took place in the 1970s with the acceleration in economic activity which occurred throughout the Kingdom. During the period of the Second Development Plan the actual rate of growth made all Saudia's estimates appear totally unrealistic.

For example, the estimate of the numbers of passengers carried was 1.35m in 1975 rising to 2.58m in 1979—an annual growth rate of 17.6 per cent. The actual growth was from 1.68m in 1975 to 7.7m in 1979—or an annual growth of 46 per cent and 358 per cent over the whole period.

It was during this period that Saudia became one of the 20 largest airlines in the world in terms of traffic carried. By the end of 1979 the domestic network totalled 33,359 kilometres divided among 65 pairs of cities. There were 20 airports with scheduled services in the Kingdom. The international network had been expanded to a total of 132,500 kilometres in 1979, linking 38 cities in Europe, Africa, Asia and North America with Saudi Arabia.

It was in the domestic network that the greatest expansion took place and its share of Saudia's total traffic rose from 60 per cent in 1975 to 72 per cent in 1979. The aim was to make air travel both easy and familiar to the whole Saudi population and this was substantially achieved. Intercity public transport in the Kingdom has entered the jet age virtually without passing through an era of trains or buses.

This was achieved by providing the necessary airports and services and also by a policy of heavily subsidising domestic air fares. These were actually reduced in 1975 by 25 per cent for economy class and 15 per cent for first class and held there until this year throughout a period of rising prices. At the beginning of this year a one-way flight from Dhahran to Riyadh cost 70 riyals (£9.6) whereas that from Dhahran to Kuwait—approximately the same distance — cost 275 riyals (£37.7). In some areas the air fare was lower than the bus fare. Since an unskilled labourer earns 120 riyals (£16.4) per day in Jeddah and 150 riyals in Riyadh, it has become normal for him to travel by air around the Kingdom.

Inevitably the heaviest traffic is on the shuttle across the centre of the Kingdom from Dhahran to Riyadh and Jeddah. In early 1981 Saudia was flying 7,000 passengers a day from Riyadh, 6,800 from Jeddah and 3,000 from Dhahran.

This shuttle service became extremely crowded—especially near weekends and holidays. Passengers were sometimes obliged to wait 24 hours or more to fly from Dhahran to the capital. This was in spite of an increase in the fleet. The 17 aircraft in 1975 were increased to 38 with the addition, among others, of 13 wide-bodied Lockheed 1011 TriStars. But this was not enough and the company was obliged to lease a fleet consisting of four Boeing 747s, three DC8 cargo planes, one Boeing 747F and three Fokker F27s. Even this proved insufficient.

Saudia had to enter into joint ventures, pools and commercial agreements with other airlines to meet the traffic demand. An agreement of this kind was the one with Pan-American for non-stop flights from Dhahren to New York.

The second major constraint on Saudia during the period of the Second Development Plan was in the area of personnel. The twin aims of expansion and Saudi-isation of Saudia's staff presented an acute timing problem. Because 90 per cent of the personnel are technical, training cannot be carried out in a short time. Throughout the 1975-80 period there was a serious shortage of qualified Saudi personnel.

Although this is typical of the entire transport sector, and indeed any area of the Saudi economy, air transport is especially affected because it requires high qualifications. Saudia enjoys excellent prestige among young Saudis leaving secondary school but recruitment remains a problem. Because of an acute shortage of personnel within the company, scarcely any of the existing staff can be released from their normal daily duties for systematic further education.

All the problems that faced Saudia in the Second Development Plan will continue in the Third. In 1979 there was an increase in domestic passenger traffic of 70 per cent and in 1980 of 73 per cent. It was no doubt because of this that a decision was taken to increase domestic fares sharply by 70 per cent from March 7, 1981. The subsidy was running at an average of 100 riyals per seat and with rising costs was bound to increase steadily. Even with the March increase Saudi domestic fares are cheap by international standards. No doubt there will be some decline in the expansion of demand but probably not be any substantial amount.

Expenditure

When Saudia presented its original plan for 1980-84 it was heavily amended by the Ministry of Planning in such a way as to reduce expenditure on certain projects and completely eliminate others. It approved a total of 6.2bn riyals for capital expenditure. However, Saudia noted that this did not take into account the growth in passenger demand or allow for any fleet retirement. Saudia therefore produced its own plan which obtained the approval of the Board of Directors. Additional capital will be needed and this will be discussed when the Saudi Corporate Five Year Plan for 1980-1984 comes up for review at the end of this year.

The Saudia revised programme calls for the acquisition of 11 Boeing 747s, instead of the Ministry of Planning proposed five, and 11 Anglo-French air buses instead of four. The air buses are needed for domestic flights because the Boeing 747s and TriStars are unsatisfactory on short runs.

On the other hand Saudia has postponed the purchase of the air buses to 1983 and 1984, as the MoP recommended, on the grounds that manpower requirements will thus be reduced. The five Boeing 747s are on order for 1981 together with one Special Performance 747 which will be used for non-stop flights to New York.

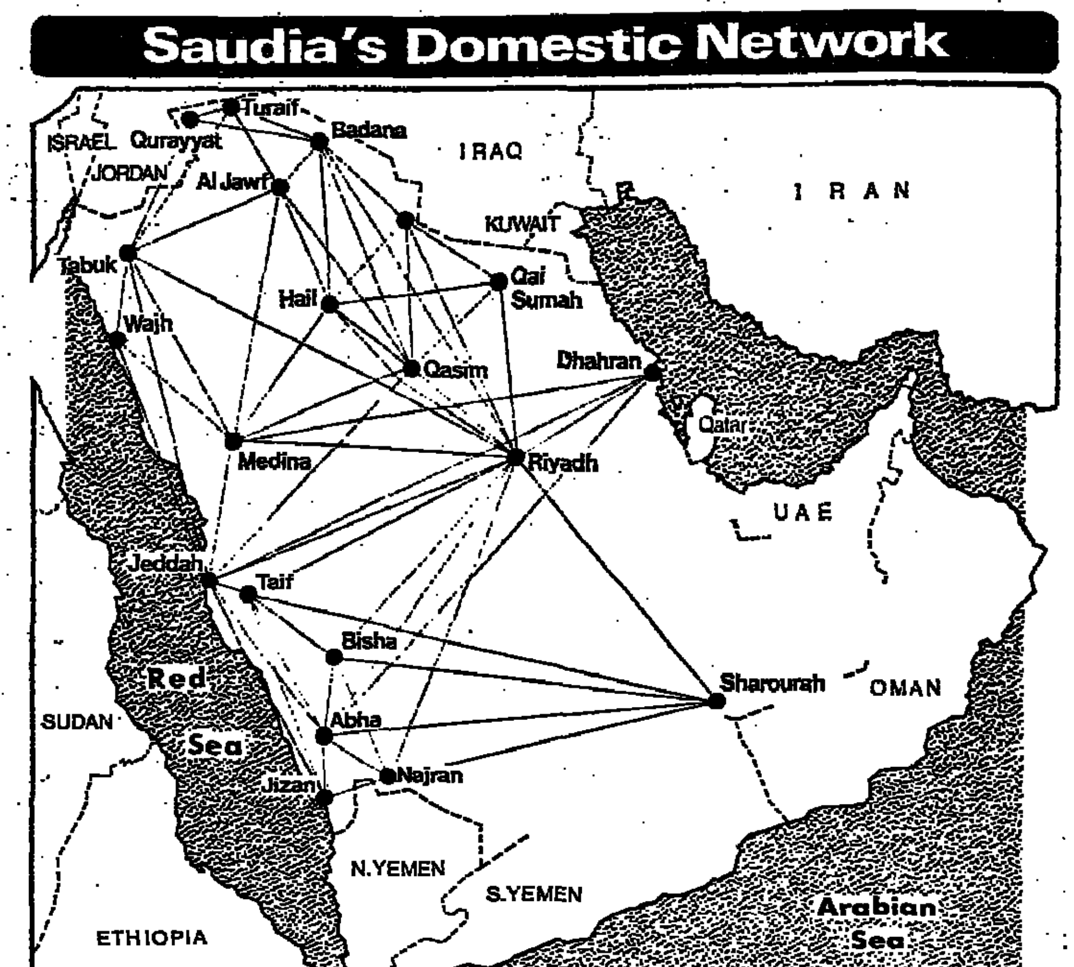
The Saudi forecast is for the total number of passengers to increase from 9.67m in 1980 to 15.02m in 1985. This is 13 per cent more than the Ministry of Planning's estimate of 13.6m. It was based on the assumption that fares would rise by 50 per cent in the whole period of the Plan, whereas domestic fares have already been raised by 70 per cent this year, thus it still seems modest in view of the latest traffic trends. The number of domestic airports was increased last year to 22 and new ones will be opened where desirable and feasible.

Several new international routes were inaugurated last year: to Dacca, to Mogadishu and Nairobi, and to Bangkok. This last has been such a success that a Boeing 747 has had to replace the Lockheed 1011 on the weekly flight. A flight to Madrid via Milan was inaugurated on March 30 this year and one via Jizan to New Delhi will start shortly.

Throughout the 1980-84 Plan there is to be heavy concentration on the improvement of communications and administration, expanding manpower training and extending the provision of technical and support services. The communications system has been a serious constraint on Saudia in the past. The VHF and UHF radio services network is being expanded, a Kingdom-wide telephone network with computerised message switch will be established for Saudia in addition to the new communications systems at Jeddah and Riyadh airports. Affairs relating to IATA will be reorganised and computerised, ticketing and reservations will be automated and much-needed new reservations systems established in the Eastern Province and Riyadh.

To save manpower there is a heavy emphasis on automation of various administrative functions. At the same time Saudia's vocational manpower training programmes, which are already among the most advanced in the Kingdom, will be expanded. A new training academy will be constructed in Jeddah with dormitory space for trainees. Finally the line maintenance services throughout the kingdom and system maintenance services at Jeddah will be expanded and improved and an aircraft development engineering programme established.

Saudia carries a major share of responsibility in the Kingdom's supremely ambitious development plans and seems prepared to meet the challenge.



SAUDIA'S FINANCIAL STATISTICS
(Figures for 1978-79 in SRm)*

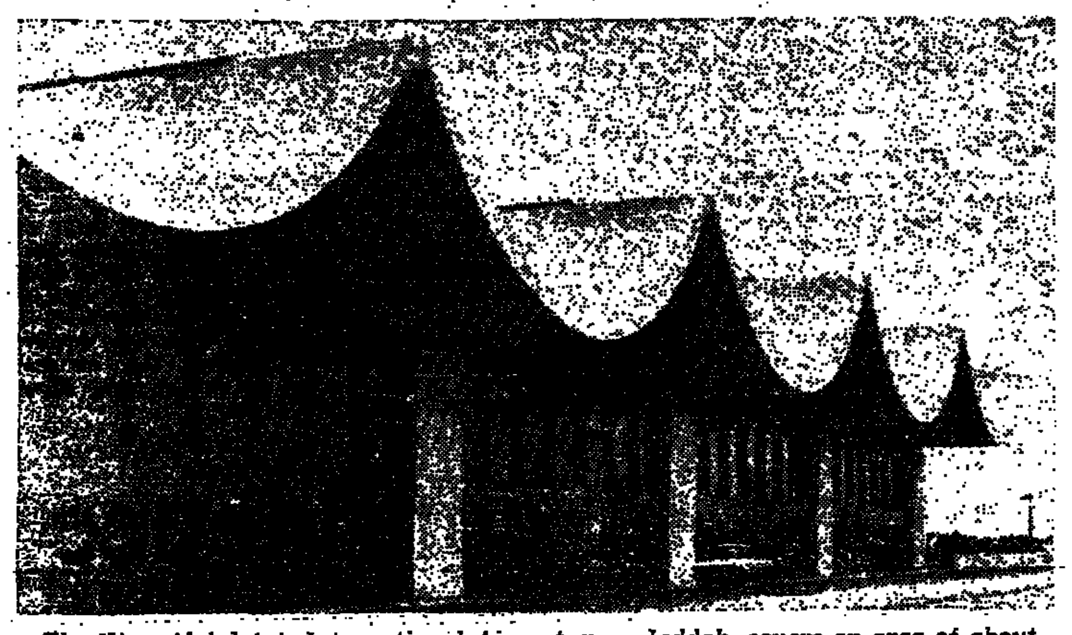
	1979	1978
Operating revenue	3,197	2,581
Operating expenses	3,434	2,737
Operating loss	237	157
Total assets	6,261	5,528
Current assets	1,204	1,680
Current liabilities	1,680	1,274

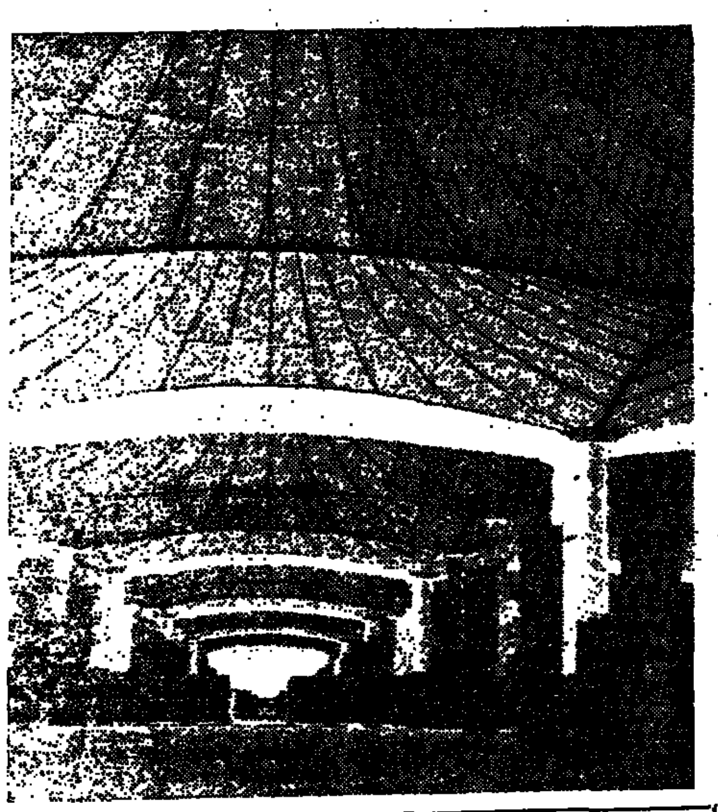
* $1=SR3.322.

Operating statistics 1978-79

Block hours flown (million)	160,909	135,005
Revenue pssngrs. carried (million)	8.0	6.5
Passenger load factor (%)	61	64

Source: Saudia Annual Report





The King Abdul-Aziz International Airport, near Jeddah, covers an area of about 40 square miles and has cost SR 17bn (£2.4bn). Above: one of the terminal buildings and, below, part of the Haj terminal

Political symbol and an aviation showpiece

IT WAS a few minutes after the mid-day call to prayer that King Khalid and his entourage arrived at the Haj terminal. The Saudi monarch spent several hours on April 12 at the new King Abdul Aziz International Airport, dedicating the costly project in a ceremony almost as spectacular as the airport itself.

The King's visit was a measure of the importance Saudi Arabia places on its new aviation showpiece — not merely as a technical achievement, but also as a political symbol.

When the royal party arrived at the tent-covered Haj terminal, a group of nearly 3,000 guests had been waiting for more than two hours. The audience included contractors, diplomats, religious leaders and journalists from around the world.

After the unveiling by King Khalid of a plaque made of Saudi granite, the ceremony continued with speeches and prayers.

Applause

The high point of the ceremony occurred when a young lieutenant from the Saudi armed forces stepped forward to read a poem he had written for the occasion.

Verse after verse was met with applause and acclaim from the audience. The poem, which began with references to Mohammed and continued with a history of the kingdom of Saudi Arabia, concluded with a dramatic final stanza.

"Let those who have any intentions of harming Saudi Arabia and the Gulf States beware that an airport like this is a symbol of the strength of our region," cried the poet.

"Let all beware that we are united Gulf States under the leadership of Saudi Arabia," he intoned as the audience roared its approval.

Next followed a lavish luncheon for 3,000, with the King, several princes and sheikhs gathered at a special table. The feast of whole cooked mutton and stuffed vine leaves ended the airport ceremony. But several key ministry officials stressed that with two more lavish airport projects under way, this was only the beginning.

Massive projects planned

WATER RESOURCES

JAMAL RASHEED

ANY IMAGINATIVE and hair-brained scheme to provide Saudi Arabia with water always gets a good hearing in Riyadh and Jeddah. Over the past year debate in the national Press has centred on the idea of towing icebergs from the South Pole, building a vast sea of salt-water in the Empty Quarter which would be desalinated, and even building artificial mountains to promote rain.

Only one scheme of an unconventional kind has met with *official disapproval*. Rain-making experiments at Jeddah University were stopped by the "Society for the Prevention of Vice and Encouragement of Virtue" because *they might interfere* with God's will.

Included in the Third Development Plan programme is the building of 37 new dams, 250 supply and *distribution* schemes, and 29 new desalination plants. Water is therefore not a joke in Saudi Arabia, but taken with deadly seriousness.

Development will take place in the context of the recently created National Water Plan, which will co-ordinate all the various water agencies, collect data and deal with all environmental problems. At the moment there are four major water departments in the government, *and this has led to* duplication and other problems.

The Ministry of Agriculture and Water has been limited to dealing with medium- and large-scale water production. The Saline Water Conversion Corporation will continue to look after the desalination programme in the Kingdom.

The Ministry of Municipal and Rural Affairs will take over much of Ministry of Agriculture and Waters former responsibilities and distribute water to consumers. The Al Hassa Irrigation and Drainage Authority looks after the needs of the big agricultural scheme in the Eastern Province.

In addition the Royal Commission for Jubail and Yanbu takes care of the heavy industrial development and their related conurbations, while the Haj committee is charged with catering for pilgrims' requirements

Water supplies to the interior for domestic purposes and agriculture, are rating top priority. It is planned to bring 41,500 hectares under cultivation, including 19,000 hectares previously uncultivated.

Agricultural demands for water is expected to rise from 1,832m cubic metres annually to 1,873m cubic metres a year. To keep supplies up with demand the Kingdom is, for the first time, launching a massive water reclamation programme from urban waste water. Every city will soon have a reclamation plant and by the year 2000 it is predicted that 15 per cent of the country's water supplies will come from this source.

An SR 80m contract has just been signed for a 55 kilometre long sewage water dispensing pipe from the sewage treatment plant in Riyadh to farms in Raqah *and Darayya*. It is hoped that such projects will create green belts around the major cities.

Desalination

Desalination is obviously a favourite in methods of water supply, even though it is still limited to the coastal areas. In 1970 there were only 5 desalination plants producing 17.7m cubic metres per year and a *power generation* capacity of 50 MW. Now, there are 14 operational plants producing 65.4m cubic metres and 350 MW.

Six plants are under construction and will be ready next year. By 1985 a capacity of 523m cubic metres of water a year and 3,145 MW of electricity is projected. An important new factor is the transportation of desalinated water inland via huge pipe systems.

King *Khaled* recently *dedicated* the first phase of the SR 1.7bn Yanbu-Medina water desalination complex being constructed by a Japanese group led by Mitsubishi. It will produce 25m gallons of water per day and 250 MW of electricity.

Medina will receive its share of the water through a 176 km pipeline, and Yanbu via a 48 km line, both costing SR 403. Phase two will see 42m gallons per day being produced.

The Saline Water Conversion Corporation is building the largest water pipe line in the world. At a cost of SR 910m, an international consortium led by Mannesman of West Germany will lay a 464 km twin pipeline *from* a ten-unit desalination plant being built in Jubail to a terminal outside Riyadh where enormous concrete reservoirs will hold the water. The line will have a capacity of 830,000 cubic metres per day and full construction has recently begun.

Clearly, according to the Saudis, taking desalinated water into the interior is a logical progression.

However, there are a number of schemes being examined by the Ministry of Agriculture and Water which entail building desalination plants deep in the interior and supplying them *with* seawater through pipelines. Thus, every small town and village could have its own desalination plant, which would also provide electricity. Another scheme receiving *serious consideration* is the creation of an artificial lake in the interior, which would be filled with sea water and then led off to various desalination plants.

The Western region is still the area most short of water. The increasing population of the Jeddah-Mecca-Taif triangle and the growing agricultural needs mean that water suppply is lagging behind demand. Jeddah's three co-ordinated de*salinated plants are producing* 38.5m gallons of water a day, which will be boosted to 88.5m gallons per day by next year. A 40m gallon-a-day complex for Mecca is being tendered for at the moment.

Within the next five years the region will need an extra *400,000 cubic metres per day* and until this comes about, agricultural development is bound to suffer.

Riyadh, which gets most of its water from aquifiers, will be self-sufficient in water by 1983 when the Jubail pipeline is in operation. Reserves in the Central Region are so large that over 40 per cent of the Kingdom's irrigated acreage projected for the year *2000* will be developed in the area.

One of the spin-offs from oil exploration has been the discovery of massive underground reservoirs and aquifiers in the Central and Eastern regions, which are not being tapped. It is estimated that there is enough water to irrigate 250,000 hectares of land for the next 100 years.

The arrival of the first iceberg from the South Pole is also expected. A company called Iceberg Transport International, headed by Prince Mohammed Al-Faisal, has already invested $2m in research and planning.

Norwegian experts are hoping to tow a small experimental iceberg over to Australia by the end of the year. A larger iceberg can provide 50m tons *of water, worth about $60m*, even after half the iceberg has melted during the journey.

Rural areas

By the end of the Plan period it is hoped to supply more than 50 per cent of the rural population and their livestock with *safe water within easy access*. The Saline Water Conversion Corporation will be providing urban centres with 1,640bn cubic metres of water a day and a further 600 thousand metres per day from conventional sources.

The Saudis know better than anyone else how crucial adequate water is to any grandiose development schemes. The Plan's success depends not only on developing the non-oil sector, but *satisfying the basic* needs of the country's population. No need is as basic as water.

However, there has been criticism from foreign experts that the enormous water wastage in the country, especially in the urban centres, is not being adequately tackled. *These* problems can only be solved if the public is made more aware, for instance, of the enormous expense and difficulties involved in providing the luxurious villas of Jeddah and Riyadh with water.

A new mood of confidence

AGRICULTURE

JAMAL RASHEED

SAUDI agricultural experts in Jeddah are predicting wheat self-sufficiency for the Kingdom within the next ten years. The forecast is wildly optimistic. But it does reflect a new con*fidence* being *shown* in the agriculture sector after the publication of the new Third Development Plan. No less than SR 7.9bn has been allocated to the sector and there is a determined drive to increase food production.

In addition, SR 39.6bn is *being devoted to water* resources, more than 50 per cent of this funding will directly benefit agriculture. The SR 68bn municipal development budget will encourage growth outside the main urban centres in an attempt to halt the population drift away from farming.

A further SR 4bn has been ear-marked for grain silos and there is a separate allocation to the Agricultural Bank. Even *the money to be spent on roads*, electricity and the telephone service will largely benefit rural communities. This concerted expenditure has all come none too soon, because nearly 90 per cent of all foodstuffs consumed in the Kingdom are imported.

A major comprehensive review is expected of the heavy subsidies the state dispenses so freely. The programme has been used as a means to distribute wealth more evenly rather than on any agri-economic basis. The Third Development Plan calls into question the whole system.

At the moment 45 per cent subsidies are available for the cost of agricultural equipment, 50 per cent for irrigation pumps and 50 per cent for fer*tilisers. There is a subsidy on* every crop range from SR 3.50/kg on wheat to SR 0.25/kg for dates.

However, meat and crop subsidies have been paid regardless of quality, which means a lot of the produce is unusable and the heavy livestock subsidy has led to no increase in the domestic supplies of meat. Subsidisation of food imports has lowered farm prices for some crops.

There is to be a major drive in providing water for agriculture. During the past year one of the spin-offs from oil exploration has been the investigations into water reserves east of the Arabian Shield, where there is little farming. Aquifier reserves are estimated to be capable of irrigating 250,000 hectares of land for the next century if this deep-seated water is exploited scientifically. That is the Government's aim.

No less than 37 dams are planned for the next five years, and in the past four months Agriculture and Water Minister Dr. *Rahman Al-Sheikh* has awarded six dam-building contracts in Medina, Hail, Baha and Houtat Sudair. Water resources will be further developed by the drilling of 400 tube wells, 500 others and 470 small-scale water supply projects to rural areas.

Five hundred miles south-east of Jeddah a group of shepherd women carry water in tyre inner tubes in a vast, waterless quarter of the hinterland

At the moment only 0.24 per cent of Saudi Arabia's land area is cultivated and just one-third of the potential 2m hectares that can be cultivated is extensively farmed. Hopefully, the next five years will see the full potential being farmed and desert areas being reclaimed once the water development programme comes on stream.

Grazing of livestock, the base of Saudi Arabia's traditional economy, has also suffered badly during the past few years *because* of over-grazing, the cutting of shrubbery, and disease. Only 5 per cent of the 210m hectares of actual grazing land is classified as excellent and the Government has done little, apart from cash handouts, to improve conditions for the bedou shepherd. The Plan will be giving the bedou and other livestock raisers better forage facilities, mobile health clinics and improved water supplies.

The Kingdom currently *imports about 2m live sheep* a year and the 1979 cost of meat imports was $149m.

There has been growing awareness in the past year of the fisheries potential along the 1,320 km coastline. The annual catch is estimated at only 16,000 tons, while the potential catch estimated by the FAO could be about 500,000 tons.

There are only about 5,000 full-time Saudi fishermen using around 1,500 boats. Last year the Government established the Saudi Fish Company which will undertake to expand fishing, fish processing and marketing in the Kingdom.

During the Second Plan the agricultural sector grew at 5 per cent per year, only a third as fast as the total non-oil sector. Productivity per head increased at about 8 per cent. However, much of this growth can be put down to agro-related business *rather than actual* rises in crop production.

The poultry and dairy business is booming. Twelve commercial dairy farms were established in the past two years and 16 more are proposed for the new Plan. This will include the Middle East's largest integrated dairy *farm* at Al Kharj which will have 18,000 cattle by next year. The Saudi Arabian Agricultural and Dairy Company is using Swedish know-how to produce *75,000* litres of milk a day and beef.

In the 1975-80 period egg and chicken production doubled. The aim is that a *similar* increase should be achieved by 1985 so that about 50 per cent of local demand is satisfied.

Big loans

A form of "plantation economy" is developing where joint venture companies are *formed*, usually with Royal Family backing, and they receive massive loans from the Agricultural Bank to produce poultry, vegetables or dairy produce on a strictly commercial basis.

The peasantry is paid a salary or foreign labour is bought in. As a result, *farmers cannot compete* and lose all interest in developing their own land. Also, most of these agro-businesses are close to large towns, which *offsets initial intentions of rural* development.

In the past three months licences have been issued for building nine poultry farms.

The Kingdom's main efforts are directed towards raising cereal production, especially wheat. Wheat production rose by 42 per cent in the Second Plan period while demand increased by 17 per cent.

Wheat production is generally considered to be haphazard with varieties of seeds, *fertilisers* being used, and a consequent range in quality because of the ever-present subsidy which the farmer knows he will receive whatever the standard *of his* wheat. The new Plan is tackling part of the problem by increasing the propagation of cereals grains to 60,000 hectares in a massive Agricultural Land Development Programme which will provide tested and *co-ordinated seed and fertiliser* to the farmer.

There are some 13 major research and experimental farms in the Kingdom. These will be expanded with subsidiaries in outlaying districts to teach farmers how to grow crops, especially cereals, using *modern methods*. The Agricultural Ministry is expected to train another 3,700 Saudis in various agricultural skills in the next five years and use them to spread modern methods of farming. A total of 2,500 people have already been trained under the programme.

The *crucial question in agri*culture is manpower. Last year agricultural employment fell by an estimated 96,000 people reducing the agricultural workforce to about 25 per cent of the total Saudi workforce, from 30 per cent two years ago. The typical farm is much smaller than five years ago. The average landholding is 6.7 hectares, although there is greater intensive cultivation within that land holding than ever before.

Money alone is not keeping the farmer on his land. For this reason the Government is launching an agricultural services programme, which includes not only such general aids as pest and locust control but also mobile veterinary clinics, public parks and rest centres. It will improve farmers' organisations to disseminate the latest agricultural information and enhance farmers' educational standards.

An added incentive is the SR 10bn that the Agricultural Bank is expected to lend during the Third Plan. In 1979 the bank lent SR 709m for 23,758 agricultural loans, which is a sharp rise from the SR 145.5m it lent in 1975.

There are 52 sub-branches outside the major cities and a number of mobile units have been established to penetrate the most obscure rural areas. However, a large percentage of the loans are going to agro-business projects rather than to the poor farmer, because of the lack of information and facilities available to him. The bank will no doubt try *to change this* over the next Plan period, but it is a hard task.

Agriculture is an area of development where an abundance of cash, *lavish government* grants or subsidies cannot alone resolve even half the problems or raise output. The Bedou and the farmer must also try to maintain his long *cultural* traditions and a way of life that is very much part of Saudi Arabia.

New techniques, mechanisation, *irrigation and bank loans* have to take the human factor into account if they are to have a chance of succeeding. To some extent the new Plan realises *this but implementation is a* long way off, as is the dream of self-sufficiency in food-grains.

Period of spectacular growth

COMMUNICATIONS

ROBERT BAILEY

SAUDI ARABIA is justifiably proud of its telecommunications system which has resulted in the last four years from unprecedented investment in modern technology.

It has been a spectacular development resulting largely from contracts awarded in 1977 relating to what is known as the Telecommunications Expansion Project (TEP). Today, Saudi Telephone, an arm of the Ministry of Post, Telephone and Telegraph, operates more than 300,000 working telephones. This represents a 140 per cent increase since the beginning of the TEP. At the end of last year, 165,000 homes had been wired ready to be connected as soon as cables had been activated.

It has been an expensive programme with not always immediate benefits to compensate for disruption caused by outside works. The efforts of Dr. Alawi Darwish Kayyal, Minister of PTT, have been an important factor in sustaining commitment to telecommunications development despite the competitive investment demands of other sectors.

Benefits accruing to commercial and industrial enterprise in Saudi Arabia from the availability of modern and reliable telecommunications is likely to have a profound effect on business expansion. The existence of a computerised telephone switching system and terrestrial and satellite broadband transmission facilities means companies can take advantage of all that modern technology can offer, such as data communications, facsimile and mobile telecommunications.

A number of major international companies have provided equipment and expertise for the system but it is those from Europe which have obtained the most lucrative contracts and are continuing to do so.

It was Western Electric, a subsidiary of AT & T of the U.S. which signed a $408m contract on June 6, 1977 to supply a microwave communications system. The much more substantial contract, worth $2.25bn to implement the TEP was awarded in December the same year, to a joint venture of Philips of the Netherlands and L. M. Ericsson of Sweden, with Bell Canada contracted to operate the new system and train Saudi personnel under a five-year contract worth more than $900m.

Originally the TEP contract called for the telephone network's capacity to be increased threefold in three years by installing switching and a cable network for 476,000 new local lines. By January 1981, Philips and Ericsson had put in a capacity for 30,000 more lines than first planned. Switching capacity had increased from 200,000 to 700,000 lines. Fifty per cent more underground network than originally required had also been supplied.

The extra capacity is the result of a decision taken in 1979 to, in Dr. Kayyal's words, allow extensions without "digging up the streets all over again." A further $800m contract was awarded to the joint venture to provide cable and civil works. The major subcontractor, as with the first contract, was Dong Ah of South Korea.

Difficulties

To Dong Ah has fallen the complex and often thankless task of laying 6,500 kilometres of buried cable and providing other outside works. It has been a difficult public relations exercise to persuade local communities, unused to the telephone, that trenches and holes that suddenly appear in their streets and outside their homes are to provide ultimate improvement to their lives. Nevertheless the ability of the Korean firm to carry out its work on time has been crucial to the success of the joint venture's undertaking.

A third contract for the TEP programme, worth $418m, was confirmed in February, 1981. Again taken by Philips and Ericsson it calls for the provision of a further 200,000 telephone lines by 1983-84 bringing the total to more than 1m. The extra lines will almost complete the telephone line expansion outlined in the Third Five-Year Plan.

The latter provides for an exchange capacity of 1,177,000 lines at the end of the period. Telex lines are expected to double to 30,286 lines. In February a $108m contract to operate and maintain the national telex system for three years was awarded to Beta Service, a division of the Riyadh-based Beta company. The intra-Kingdom microwave system which provides 35,000 long-distance telephone circuits as well as data, telex and television channels through a 10,000 kilometre repeater tower network, is to be expanded. The system is scheduled to be developed between Al Ain and King Khaled City, Hofuf-Salwo-Dawaheen and between Riyadh-Dormah-Zolam.

The microwave system is one of three main transmission elements in the national telecommunications network. The others are the 1,420 kilometres of buried coaxial cable between Jeddah, Riyadh and Dammam, and the domestic satellite system (Domsat). The cable provides what is known as the backbone system. It is being upgraded to a 60 Mhz by Saudi Arabian Telecommunications Company (Sartelco), a subsidiary of Sirti of Italy. The Domsat network was provided by Harris Corporation of the U.S.

Western Electric installed the microwave system and maintained it until December 1980 when Sirti received the maintenance contract from Saudi Telephone. It was a prestigious contract worth $80m a year to Sirti and provided satisfaction for earlier disappointments. Sirti was the lowest bidder, reportedly by 30 per cent, when the intra-Kingdom microwave contract was awarded in 1977.

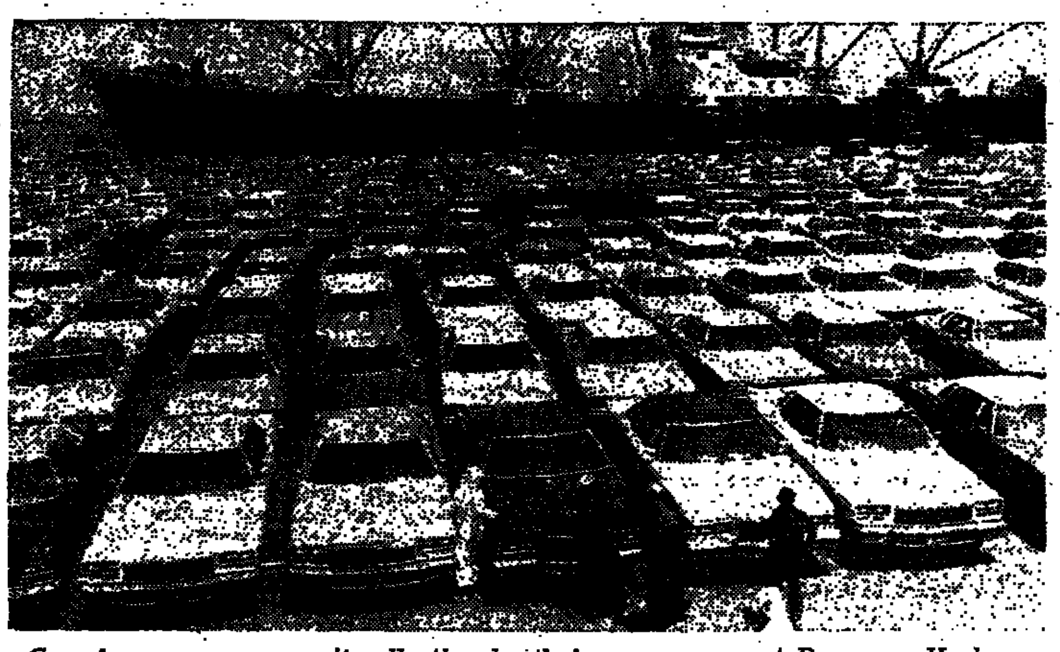
North American interest in the TEP lies with Bell Canada which is providing technical and managerial expertise to Saudi Telephone with the aim of showing the Saudi administration how to operate its expensively acquired system at a profit.

Bell Canada itself claims one of the best productivity rates in the world, of less than six employees per 1,000 telephones. According to Saudi Telephone the administration employs almost 7,000 Saudi citizens, about 63 per cent of all personnel. In 1980, the ratio of Saudi Telephone employees per 1,000 working lines was reduced by 10 per cent to 43. The heavy investment in electronics equipment has been designed to allow the switching system to be expanded in a modular way, replacing individual items of equipment rather than entire parts of the system.

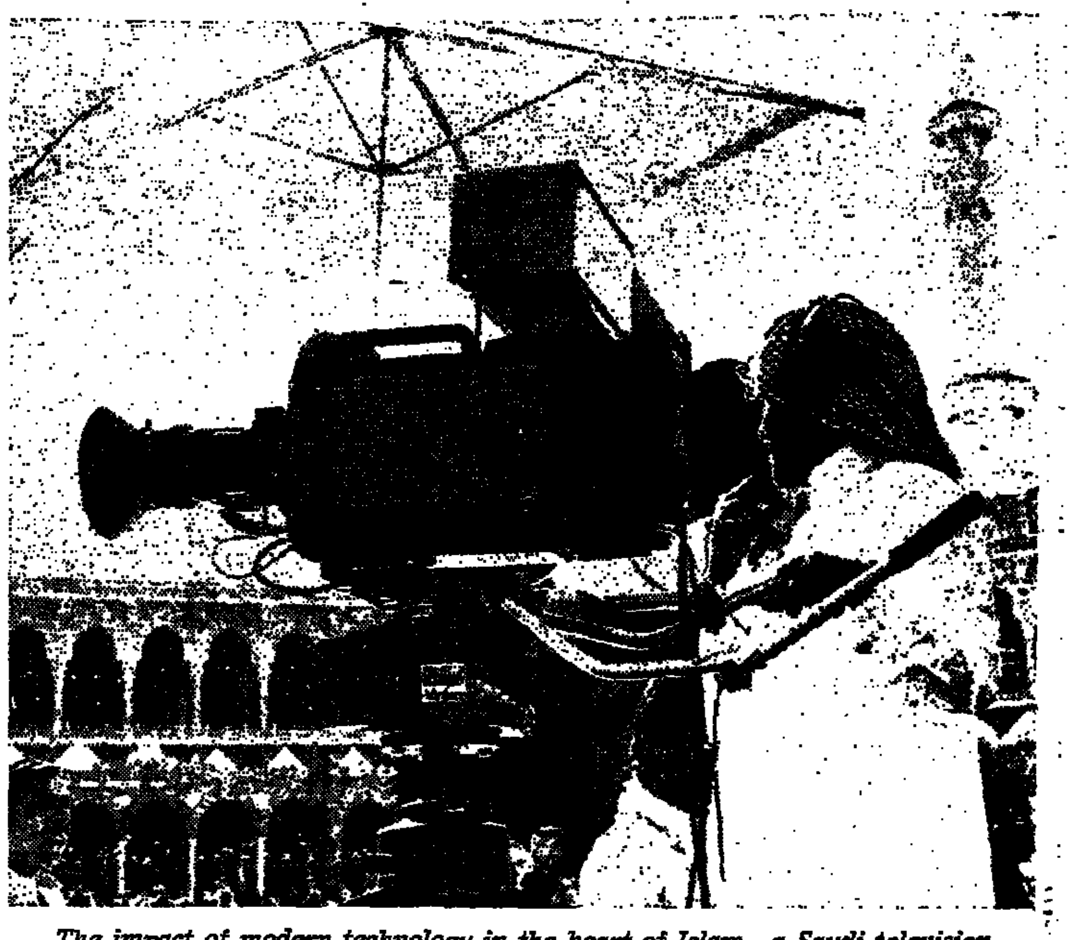
Equipment has been bought to enable the network to be upgraded without having, at the same time, to increase demands on the scarce local pool of technically trained people. Beyond the Third Plan's target it is difficult to forecast how much more telecommunications development there will be or how quickly it will be implemented. The PTT, or more particularly those responsible for the disbursement of government cash may feel it is time to gather breath after very rapid development. The Government is also paying for substantial military telecommunications projects for the armed forces including the National Guard.

The main challenge for the PTT is to prove that sufficient national engineering graduates and managers can be provided to maintain a truly Saudi telecommunications system.

Many observers, not least the world's telecommunications companies feel that expanding demand for voice and data communications will, in a comparatively short time, dwarf even the capacity provided for in present plans. Saudi Arabia of all countries is one that can, if it so chooses, indulge itself in the spectacular possibilities that modern telecommunications technology offers.



Cars from overseas await collection by their new owners at Dammam Harbour



The impact of modern technology in the heart of Islam—a Saudi television cameraman in action at the Grand Mosque, Mecca

Blueprint for expansion

RAILWAY DEVELOPMENT

EDMUND O'SULLIVAN

RAILWAY development has a small but growing place in Saudi Arabia's transport strategy. Only one passenger railway exists, linking Dammam, Saudi Arabia's biggest Gulf port, with the administrative capital Riyadh via the oasis town of Hofuf.

It was built by the Arabian American Oil Company in the immediate post-war years, but was largely neglected following the oil price rises of 1973-4. At that time emphasis was placed on the domestic air system, road building and clearing the Kingdom's congested ports.

The Second Development Plan (1975-80) called for a "rejuvenation" in the Dammam-Riyadh "rail corridor." Some improvements were made, but the system's inadequacies were still apparent. It was slow and needed thorough rehabilitation. Meanwhile, potential customers moved heavily into road transport.

Methods of preventing an irretrievable decline in the Dammam-Riyadh line were studied and from this has emerged a blueprint for a major expansion of the link. The existing single-track railway will be doubled and its length shortened by 100 kilometres by building a new section following a direct route between Hofuf and Riyadh.

The SR 1,250m project was divided into three sections and put out to tender in mid-1980. It attracted considerable interest among international railway contractors and 33 companies bid for work.

After a lengthy evaluation period the Saudi Government Railroads Organisation (SGRO) has selected Greece's Archirodon to lay a 145-kilometre stretch of single track alongside the existing Dammam to Hofuf line.

However, plans for the other two sections have been delayed because of the differences in the designs contractors used to calculate their bids. This is likely to have pushed the award of the contracts well into the 1981-82 financial year. Low bidders in the initial tenders were Archirodon and West Germany's Philipp Holzmann.

Nevertheless, the commitment to this project is genuine, and work on all three sections should be underway by the end of this year. When completed—in 1983, if everything goes according to plan—passengers will be able to travel from the Gulf to Riyadh in four hours instead of seven, cruising at speeds of up to 150 kilometres-an-hour.

Freight traffic

Freight traffic is a more important target for the upgraded railway. SGRO was carrying a negligible share of imports into Damman at the start of last year. The daily volume was estimated to be 3,500 tonnes, compared with an average of more than 40,000 tonnes of freight offloaded into Dammam each day. In addition, Dammam was receiving more than 100,000 vehicles each year.

To help win over more freight, SGRO has built a customs terminal in Riyadh, where goods can be brought by train direct from Dammam. It was completed at the end of last year by Heilitt and Woerner Bau of West Germany, and is expected to attract new business to the railway.

The dry port and other recent improvements to the existing line have helped to increase the attractions of rail transport. SGRO forecasts that about 350,000 people will have used the line in the 1980-81 financial year. Freight traffic is forecast to have risen to just over 3m tonnes.

The Dammam-Riyadh project could be the first stage of Saudi Arabia's railway age. Among plans under consideration is the possibility of building a pilgrim railway shuttle between Jeddah and Mecca and other Muslim holy places.

A recent SGRO study paper says the advantages of this new link would include energy conservation and a big reduction in the pollution caused by the heavy volume of car traffic, particularly during the Hajj when about 1m pilgrims converge on Mecca.

Other advantages cited were that industrial and agricultural development could be encouraged along the railway's route. Nomadic tribesmen might be attracted to settle close to the stations where basic amenities—water and electricity—would be available for the first time.

SGRO's initial suggestion is for a 75-kilometre railway with large stations at Mecca and Jeddah. A major railway yard would be built at Mecca. Ten departures an hour from both stations are proposed.

Another project, which is at a more advanced study stage, will concentrate on freight traffic. Draft proposals have been submitted to the Royal Commission for Jubail and Yanbu for a link between Dammam and Jubail industrial city, which is also on the Gulf.

A more ambitious scheme is that the Hejaz railway running from Medina north to the Jordanian border may be rebuilt. Dorsch Consult of West Germany has submitted a feasibility study into the project.

The Government in Amman has indicated that Jordan could start work on the section crossing the country next year. But the Saudi section, unlike parts of the old railway passing through Jordan and Syria which are still in use, has fallen into total decay.

In fact, none of the three proposed projects is to be implemented in the third plan. This could change if the need to build railways becomes more pressing. For the moment, they remain an exciting, but distant, prospect.

Rolling stock

Complementing the development of the Damman-Riyadh railway is a major rolling stock procurement programme. At the end of the second plan, SGRO had 18 locomotives, just over 1,500 freight cars and nearly 60 coaches. By 1985, SGRO's fleet will include another 1,300 freight cars and 20 more coaches. Switzerland's Schlieren-Schindler supplied SGRO's most recent coach order.

Even if the most ambitious plans—including possible rail links between Jeddah and Riyadh, Mecca and Yanbu and international lines to Iraq and UAE—were to be implemented, railway development will continue to be overshadowed by other transport projects.

They include a trans peninsular expressway linking Dammam and Jeddah, and a north-south highway following the route of the Hejaz railway, which will probably start before the end of 1981. It is also highly unlikely that railways will ever challenge air transport.

SGRO's immediate task is to stop the movement of freight traffic on to the Kingdom's road network. It has been generously funded to achieve this objective. SGRO's 1980-85 budget has been fixed at SR 5bn, nearly twice its second plan allocations.

A major industrial installation

JUBAIL

BRYN WILLIAMS

ACTIVITY AT what will be the Kingdom's largest industrial installation — at Jubail — is divided into two areas: infrastructure and industry. The Royal Commission and Bechtel, which has the overall management contract, have proceeded far enough on the first to allow the Saudi basic industries corporation Petromin and their partners to begin the second. But in terms of all the infrastructure that will be installed in the next 20 years the surface has barely been scratched. Companies seeking work in the design or construction of almost any kind of project in that line ought to find it at Jubail.

The projects furthest advanced are the commercial and industrial ports. Those are now *70 per cent complete. A petro*chemicals quay and tank farm is of immediate importance. That item is far behind schedule, and Bechtel has embarked on a crash schedule to get it built. Earthmoving and land-fill projects are moving well. In the industrial area 83 per cent of the land has been prepared and 10 per cent in the residential. That leaves 15 sq km of industrial site to be finished during the present Third Five-year Plan. Another 22 km of community area will be prepared.

Roadbuilding will see a major increase in activity in the next five years. *Already SR 400m has* been spent on 4.7 km of expressways and 63 km of feeder roads. By 1985 another 49 km of expressways and 75 km of feeder roads will be added, plus 23 km of freeway. More than 1,000 km of roads and 24 cloverleaf intersections are planned in all.

Water for the community is supplied from wells and a barge-mounted desalination plant with a combined capacity of 34,200 cu metres per day. That *exceeds* the present demand for 12,000 cu metres; however, the completed city will require an estimated 550,000 cu metres daily. The Saline Water Conversion Corporation will have installed desalination capacity totalling 230,000 cu metres daily by the mid-1980s.

Extension

Distribution is through 66 km of conveyance lines installed during the Second Plan, with *37,000 cu metres of storage. In* addition to the entire industrial area, the distribution system will be extended to two permanent communities by 1985.

Full sewage facilties will be in service to those areas as well. Five-thousand cu metres of sewage travel daily through 20 km of collection pipes to a 6,100 cu metre per day treatment plant. The next five years will see a permanent plant with capacity of 36,000 cu metres and an *industrial* wastewater plant of 31,000 cu metres per day.

The Saudi Consolidated Electric Company is designing the primary high voltage system, including all feeders to the primary industries. So far 165 km of the circuit distribution system has been installed, with 488 km *more due in the next* five years. The Royal Commission's architects Black and Veach Arabia are designing lower voltage distribution within the industrial and community areas. During the period of the current plan 835 km of circuit will be installed.

Considerable expansion of communication facilities is also under way. At present the new city is served by a 1,600-line PABX system and a 264-channel microwave link with PTT facilities in Dammam.

Design of the seawater cooling system was finished by Sir Alexander Gibb and Partners last July, with most elements *already under construction.* Scheduled to be operational during the Third Plan, the system will deliver 9.8m cu metres of water per day to the *primary and some secondary* industries. The effluent will be no more than 10 degrees C higher than the intake.

McDermott Engineering of Houston is designing the fuel and feedstock gas delivery system that Aramco will build for Petromin. An initial system will serve the first seven industries established, with a second phase being added for the rest. Petromin estimates that Jubail's primary industries will use 510 mcf of fuel gas daily, and Sabic projects an additional 165 mcf of ethane feedstock by 1986.

Although one out of every three primary industries originally envisioned for Jubail has been cancelled or is in question, the others look fairly assured. Most advanced is Hadeed, the Saudi Iron and Steel Company. The first of its two reduction furnaces will come on stream in 1982, and the second in 1983, for a combined output of 800,000 *tonnes per year.* West Germany's Lurgi Chemie is supplying the reduction furnaces and Voest-Alpine the three electric arc furnaces that will turn the sponge iron into steel billets.

The Jubail Steel Rolling Mill, which is 85 per cent owned by Hadeed, will be brought on stream in phase. It will initially produce 350,000 tonnes per year of steel bars and wire, rising to full capacity by 1985.

Output

Saudi Petrochemical Company, a venture by Sabic and Pecten, will crack ethane into 656,000 tonnes per year (typ) of ethylene. Other output includes styrene 295,000 tpy, ethlene dichloride 456,000 tpy, ethanol 314,000 tpy, and caustic soda 712,000 tpy. Fluor, the construction manager, is active at the site, setting up a computer system that will facilitate construction. The $3.4bn plant will come come on stream in 1985.

Kemya, a Sabic-Exxon venture, will produce 260,000 tpy of low-density polyethylene. Construction of the $1.2bn facility *has not yet been awarded,* but Exxon officials expect groundbreaking during the first quarter of 1982. The plant will be operational at the end of 1984 with an initial output of 175,000 tpy, rising to full capacity a year later.

Final agreement could be im*minent on Sabic projects* with Dow and with the Saudi Petrochemical Development Corporation, a Japanese consortium.

Saudi Methanol Company, a Sabic venture with five Japanese groups, will produce 600,000 tpy of methanol. Groundbreaking was scheduled to begin last March by Mistubishi Heavy Industries, with completion slated for January 1983.

A second Sabic venture to produce methanol reached final agreement in February. Celanese-Texas Eastern will produce 630,000 tpy when operations commence in 1984.

SAMAD, a partnership of the Taiwan Fertiliser Company and Sabic, will produce 500,000 tpy of urea. Construction is still under negotiation, but the plant is scheduled to come on stream in late 1982.

Three of the petrochemical ventures Sabic originally planned, for polyisoprene, petroprotein, and a second fertiliser plant, have been postponed, as have an aluminium smelter and mill. However, Sabic is considering other ventures including plans to produce butene one and MTBE (a gasoline additive).

Petromin's original plans have been scaled back as well. It now has only three projects *definitely proceeding.* A fourth, an export refinery with Exxon, is hanging fire over the question of feedstock source. Officials expect to know one way or another this summer. *If built* the plant might come on stream in 1987.

Definitely on is Petromin-Shell International refinery. Using 250,000 barrels a day (b/d) of Arab light, the $2bn plant will refine 59,000 b/d of naphtha: 44,000 b/d of kerosene; 75,000 b/d of gas oil; 65,000 b/d of fuel oil; 5,000 b/d of benzene; and 5,000 b/d of LPG.

Petromin approved in March *the detailed engineering study* for a 12,000 lubricating oils refinery with Texaco and Chevron. Final agreement is expected within months. A final project, a bulk terminal, is in the engineering stage.

Strategic complex on Red Sea coast

YANBU

JAMAL RASHEED

ONE OF the first sights on arrival in Yanbu is dozens of bronzed Californian children playing baseball on the new $1m astro-turf artificial baseball field. Around them is empty desert and beyond that lie the gleaming oil storage tankers on the Red Sea coastline waiting for the first tankers from the West.

Only six months ago the huge new industrial city being built at Yanbu on Saudi Arabia's Red Sea coast, 350 km north of Jeddah, was being scoffed at by experts as unviable and uneconomical. The Gulf War between Iraq and Iran changed all that.

When the first tankers start lifting crude from Yanbu in July it will be the first time, in the short but momentous history of oil, that the Arabian Peninsula will have an outlet for the precious commodity on the west coast. The strategic benefits of this to Europe and the U.S. are immense.

Mobil has completed on behalf of the national concern Petroline the 1,207 km east-west crude oil pipeline which will carry 1.85m barrels a day initially from the oil fields in the east across the *northern deserts of Arabia to* 11, 1m-barrel capacity oil storage tanks in Yanbu, and a new crude terminal. The pipeline has an eventual capacity of 4m bpd.

Eleven pump stations on the way house 33 Pratt and Witney 27,000 hp turbines which can run on any fuel such as NGL, diesel or even crude oil straight from the pipeline. Beside this runs an NGL pipeline supplying gas to the Aramco NGL fracto*nating plant nearing completion* in Yanbu. These will be the most advanced computer-controlled pipelines in the world.

The computer, run from a central despatch system in Dharan, will receive electronic information from sensors all along the line. Three pump stations will be permanently manned by Petroline-Mobil teams for maintenance, and there is a microwave telephone system.

Yanbu is the creation of a Royal Decree in 1975 which set up a Royal Commission to *implement* the basic infrastructure for two new industrial cities at Jubail on the east coast and Yanbu. The First Phase Action Plan called for only one refinery and some infrastructual development. Four years later the Royal Commission has surged ahead into Phase Two and the creation of an industrial park with five refineries *and petro-chemical complexes.*

The Petromin domestic refinery for internal use, and originally scheduled for Jeddah, will be ready next year, producing 170,000 bpd with an eventual capacity of 420,000 bpd. The Petromin-Mobil export refinery will not be ready until 1984 when it will be producing 250,000 bpd and then expanded to 500,000 bpd. The $1.6bn Sabic-Mobil petrochemical plant will also be ready in 1984 and produce the equivalent of 450,000 bpd in lubricants and other oils.

In February, Dr. Yousif Alturki, director general of the Yanbu project, signed another deal for a lube plant with the Arab Petroleum Investment Corporation. A smaller Petromin-Ashland lube plant is already planned.

Star of the city, however, is clearly going to be the huge Aramco NGL plant which is nearing completion at the astonishing rate of 1.5 per cent per week. Part of the massive gas-gathering programme, the NGL plant, will produce ethane for the city's basic fuel and petrochemical feedstock, and propane, ethane, natural gas, butane, and naphtha for export purposes. The plant, which is set to open in July next year, has its own two-berth harbour and a 12,000-ft pipeline to fill waiting tankers at sea.

Five special purpose harbours are being built beside the industrial plants on a 25-kilometre stretch of Yanbu's coastline in what a Saudi Arabian Parson executive *called* the "largest marine development programme in the world at the moment."

A *200-hectare industrial* park is being provided with all the necessary facilities by the Royal Commission and 20 leases have already been signed for construction-based industries, and other plants producing consumer goods.

The joint Sudanese-Saudi Commission has started work on analysing mineral deposits in the Red Sea.

Ambitious plan

Yanbu, like Jubail, incorporates one of the most ambitious urban development schemes ever conceived. The Royal Commission is completing the basic infrastructure for the permanent city. This entails raising the power supply from 80MW to 480MW, completing two desalination plants of 24,000 cubic metres per day fresh water capacity, building *200 kilometres of streets* for the new "Al Nawa" village and a solid waste disposal system capable of handling 33,000 tons a year.

By 1985 there will be 35,000 permanent homes in the Al Nawa village in self-contained modules which will have all support facilities such as schools, hospitals, libraries, *and mosques.*

Some 20,000 workers from more than a dozen countries, 1,100 European and American executives and a couple of hundred Saudis are living in the temporary pre-fabricated housing set up by the Royal Commission. Recreational facilities *include 18 swimming pools,* all manner of games, artificial football fields, video TV channels and even a beauty salon where "hair styling is performed by a gentleman with a lady chaperon in attendance." A golf course is next on the agenda.

Manpower difficulties and future Saudi-isation are clearly key problems facing the Royal Commission. It is estimated that there will be a total of 31,900 workers at the end of the year, with another 5,000 managerial staff. This would include only 310 Saudis, largely belonging to the Royal Commission.

Dr. Alturki has said that next year the Commission will be setting up a "Human Resource Development Institute," which it is hoped will be turning out 1,000 Saudis a year trained in technical crafts and managerial techniques.

A fairer share of the oil wealth

THE SHIITE COMMUNITY

BRYN WILLIAMS

EIGHTEEN months ago violence in Qatif, a small town of 30,000 population in the Eastern Province, prompted fears in the West that Saudi Arabia would be the next "domino" after Iran to fall. Today the unrest has subsided, soothed by a constant flow of money and attention that marks an unprecedented shift in the policy of the Government.

Throughout the centuries the Arabian peninsula has witnessed sporadic violence between Shiites, a minority sect of Islam, and the dominant Sunnis. In Saudi Arabia the Shiites are concentrated in the Qatif and Al Hasa oases in the Eastern Province. They had never before experienced magnanimity from the Government.

When in the first part of this century King Abdul Aziz drove the Turks out of Al Hasa, as the Eastern Province was and still tends to be known, he assigned Abdullah bin Jiluwi, his fiercest general, to govern its population. The latter's harsh and relentless rule is a matter of local legend. Today when a Saudi driving off the road begins to bog down in the sand, his companion is likely to tell him to "give it Bin Jiluwi."

Under his iron control and that of his son, the present governor, the Shiites were systematically excluded from *economic or political oppor*tunity. The capital of the province was moved from the Shia centre of Hofuf to historically insignificant Dammam—bypassing Qatif, which had been a hub of trade for thousands of years.

Today Dammam is an economic dynamo, while Qatif and Hofuf have languished. Recently published construction statistics show that from 1976 to 1979, the minority of the country's total activity that occurred in the region was related to Jubail or the Government's master gas-gathering system. Dammam and Al Khobar were the sites *of the remaining activity.* Qatif and Al-Hasa, which sit on top of the oil that was working miracles everywhere else in the Kingdom, remained neglected and unimproved.

Nor have Shiites ever held any significant position in government, with the exception of a former Minister of Agriculture and Mr. Jameel Jishi, the Director-General for the Royal Commission at Jubail. The rule of exclusion is broadly applied. At the University of Petroleum and Minerals in Dhahran more than half the students are Shiites. Yet last year none was permitted to run for student office. The Shiites protested by boycotting the polling booth en masse. Since that deprived the election of the needed 50 per cent participation, the results should have been declared invalid. But the administration certified them anyway, students say.

The Shiites have met this kind of *treatment with dili*gence and hard work. They have flocked to the training courses offered by Aramco and now make up what some Saudis *feel is a dangerously large pro*portion of the company's Arab labour and executive force.

The town's own vocational training centre has been swamped with applicants since opening at the start of 1980. "If we want 20 students for one workshop, we get 50," the facility's director commented to a local magazine.

Shiites seem compelled by a work ethic not shared by other Saudis. Visitors to Qatik have *been amazed to see shopkeepers* sweeping the streets after closing their stores at noon. That would be unthinkable among their more affluent Sunni counterpart in Dammam or Al Khobar.

Riots

But the Shiites' exertions to counter discrimination took a more menacing form last year. Inflamed by revolutionary rhetoric broadcast to them from Shiite-dominated Iran, the residents of Qatif rioted on several occasions.

Units of the National Guard quickly *put down the unrest.* But the demonstrations were successful in that, for the first time ever, the Saudi Government employed the carrot as *well as the stick to subdue the* Shiites. Obviously fear of the Iranian revolution boiling over into Saudi Arabia and of potential sabotage to oil facilities by Shiites well-placed in Aramco weighed heavily in the Government's decision. But it was also quietly acknowledged in official circles that the Shiites had for too long been denied a fair share of the oil wealth.

Suddenly the Government, with Prince Ahmed, Deputy Minister of the Interior, to the *fore, opened* the financial taps. A $128m electrification project was initiated in January, 1980. Contractors worked well after 10 at night repaving streets, with more than a million square metres of reasphalting contracted in Qatif and other villages in the oasis.

The site for a new hospital was selected, and new schools for boys and girls were completed. Millions of square metres of swamp have been filled, *with more reclamation* planned; the Government is providing loans through the Real Estate Development Fund to town residents to build new *homes there. Contractors* working on street lighting, sewage, communications and improvement projects all seem to be instructed to make up for lost time.

All this activity has received a high profile in the official Saudi Press Agency. "Stories about Qatif appear far more frequently than about other villages," a Western diplomat observed. In one item the mayor of Qatif called attention to SR 716m of development projects and promised that more work was to be awarded to contractors within months

The timing of that announce*ment and of a* simultaneous television newsreel on Qatif development was significant. Both were carried about a week before Muharram 10, the day *when Shiites* mourn for a martyr of their sect. Typically they become psychologically unstable, working themselves into a frenzy of grief and—in *communities in other countries*—flogging themselves with chains or slashing themselves with knives.

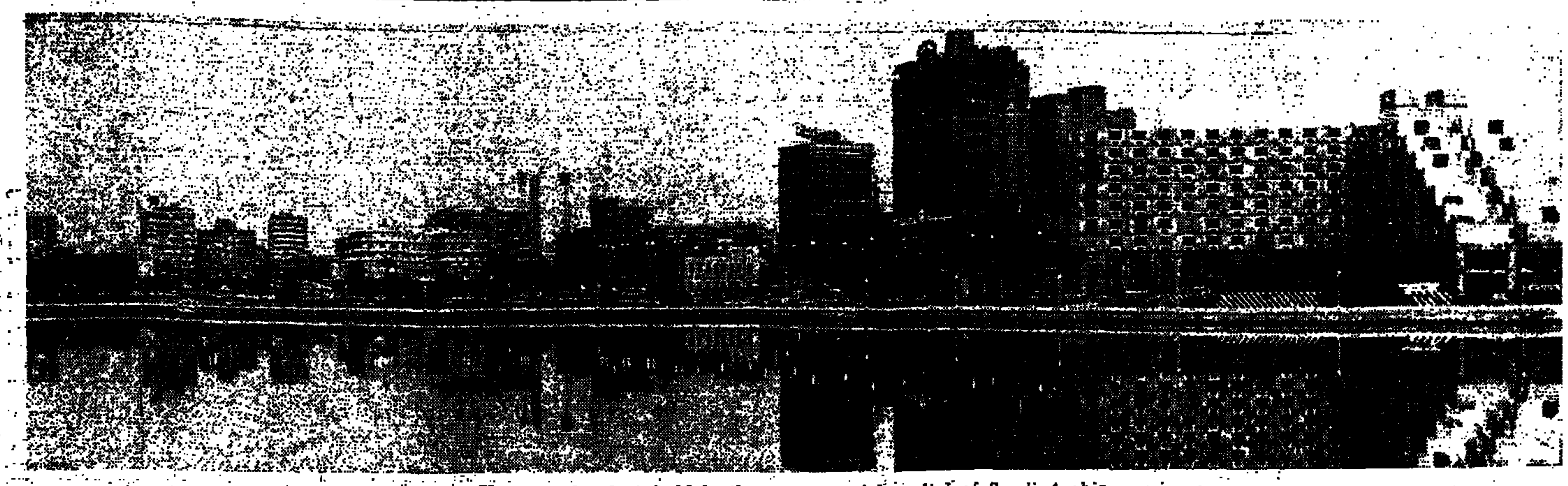
In 1979 the event had resulted in one of Qatif's riots. Thus the news items released a year later were widely considered to be a pointed reminder at that crucial moment of how much now was being done for Shiites.

The Government made an even more generous overture when Prince Fahd later *ordered* the release of all the political prisoners in Qatif, more than a hundred the police had arrested during the riots. The public *rejoicing* lasted all night, eyewitnesses report.

As further proof of the Government's care for its Shia citizens, the King travelled to Al Hasa and through Qatif during his ten-day visit to the Eastern Province in November. During his stay, which began only five days after Muharram 10, the King was constantly accompanied by town elders from Qatif.

Indeed the desire to mend *fences* appears to be mutual. Saudi Shiites have become increasingly disillusioned by the turmoil that continues to convulse Iran. They were particularly disappointed by the fruitless prolongation of the hostage crisis, since many of them have come to like and identify with Americans through their contact at Aramco.

The 10th of Muharram, falling in 1980 on November 18, passed uneventfully. Forbidden by the Government to carry out the acts of self-torture, Qatifis sat in the streets and listened tranquilly to the lamentations broadcast from the mosques. Those Shiites who were determined to perform the full ritual had flown to Bahrain days before, where Shia banners are flown openly. Observers of the ritual there claimed to be blood spattered.



The waterfront at Jeddah, the commercial capital of Saudi Arabia

New efforts to remedy glaring defects

LEGAL SCENE

SIMON SOUS

FOREIGN LAWYERS and businessmen remain suspicious of the Saudi legal scene, believing, in some cases with justification, influence to be as much a part in deciding a case of legal merit. Nevertheless, it is clear that the authorities are remedying the more glaring defects of the system.

Agency. A good example of the Government's efforts to *raise the credibility of the legal* system is the declining role of the agent in relation to government contracts. While foreign companies contracting with the government are still required to have a Saudi "service agent" there has been in recent months a noticeable reluctance by the authorities to become involved with spurious or exaggerated claims by agents for commissions for which little or no real service may have been rendered. There is also a rumour of a possible withdrawal altogether of the requirement for an agent in government contracts.

Not to be confused with the services agent, required in connection with government contracts, is the "commercial agent," who must also be a Saudi national or 100 per cent Saudi-owned entity, through whom all trading activities must be conducted. Trading includes wholesaling, retailing and leasing operations.

The old commercial agents regulations left something to be desired in terms of clarity. For instance, agreements between foreign manufacturers and local commercial agents were required to be registered with the Ministry of Commerce, distributorship agreements, although of very similar import, were not.

A law amending the commercial agency regulations was issued by Ministerial decree in *March, 1981. The new law* extends the application of the regulations to distributors. It also introduces some degree of consumer protection in requiring commercial agents and distributors to maintain sufficient *supplies of* spare parts and maintenance facilities throughout the duration of the agency or distributorship and for one year thereafter.

The Saudi traders hold over the market is reinforced and heavier penalties imposed for infringement, including possible deportation in the case of foreigners.

Heavier penalties, including deportation of foreigners, are imposed on infringement, further bolstering the Saudi traders' hold over the market.

Enforcement

Aliens. While the Kingdom remains as dependent upon the services of expatriate skilled and *unskilled labour*, there has been a noticeable tightening up in enforcement of residence and visa regulations. For instance, the heavy fine for overstaying a visit visa, which always existed, is being strictly enforced. It was publicly reported that over 1,500 aliens who had over-stayed their visas were deported in January. Regulations were issued in September 1980 limiting the availability of residence visas for families to a narrow range of professionals and related categories of foreign nationals.

Banking. While the Saudi Arabian Monetary Agency continues to permit off-shore banks to make loans for application in Saudi Arabia without any pre-clearance, there are still a number of factors of concern to foreign and domestic banks. Interest remains a hoary issue with lawyers believing that interest provisions in loan documentation, while unenforceable, do not invalidate the remainder of the agreement.

There is a story, probably apocryphal, that the Jeddah Commercial Court handed down a judgement that while it could not require the borrower to pay interest to the bank, since the levying of interest was in breach of Islamic law, the borrower should be required to pay the interest instead to the Saudi Arabian Monetary Agency, since he should not benefit from the breach having knowingly entered into the covenant to pay interest. The effect of this was to convince Saudi borrowers that if they have to pay interest they might as well pay it to the bank to whom it was due rather than to SAMA.

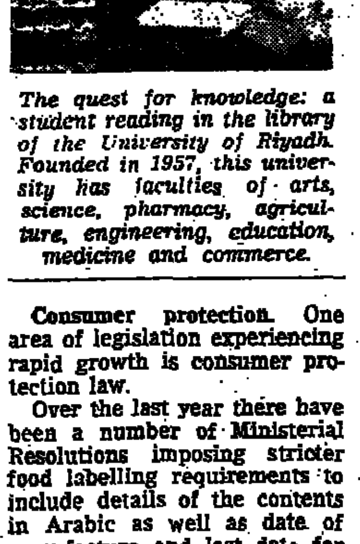
Another concern of foreign *banks is the country's failure* to recognise the doctrine of conflict of laws. The acceptance by the parties of a governing law other than Saudi law is not recognised by Saudi courts, who will apply Saudi law in any proceedings brought before them.

Obtaining a judgment abroad does not greatly help, since except between Arab League states there is no reciprocity of enforcements of judgments. Accordingly, enforcement of a foreign judgment or arbitration *award is a rather haphazard* process, passing through diplomatic channels and, at the discretion of the office of the Crown Prince, is subject to scrutiny by the Grievance Board to determine whether the *foreign judgment conflicts with* Saudi law. The delays involved in such a process suggest that it is simpler to initiate proceedings in Saudi Arabia in the first place.

Boycott. The Boycott Regulations are still strictly enforced and boycott language is required in all government contracts. To facilitate business with companies of U.S. and other nationalities with anti-boycott legislation, machinery has been introduced to avoid, wherever possible, the need for a positive boycott statement by the foreign company, reliance being placed instead on a boycott search against the foreign company carried out at the Regional Boycott Office within the Ministry of Commerce in Riyadh.

Companies: While the existing companies regulations are reasonably effective, procedures involved in a private company going public are complicated and drawn out, requiring a Royal decree. New legislation is being introduced to facilitate the process, perhaps with the establishment of a formal stock exchange in mind. The Ministry of Commerce (particularly the branch of the Ministry of Commerce in Jeddah) is becoming increasingly strict in the enforcement of statutory disclosure requirements.

Penalties for such offences as late filing of accounts or failure to show full company particulars on the letter paper are being strictly enforced.



The quest for knowledge: a student reading in the library of the University of Riyadh. Founded in 1957, this university has faculties of arts, science, pharmacy, agriculture, engineering, education, medicine and commerce.

Consumer protection. One area of legislation experiencing rapid growth is consumer protection law.

Over the last year there have been a number of Ministerial Resolutions imposing stricter food labelling requirements to include details of the contents in Arabic as well as date of manufacture and last date for consumption. As recently as March the Consumer Protection Department within the Ministry of Commerce issued a circular to Chambers of Commerce urging distributors to carry the health warning on cigarette packets: "Smoking is a major cause of lung cancer, and heart and vein diseases."

The Ministry of Commerce is drafting a general consumer protection law, leaning heavily on relevant laws in the U.S., Egypt and elsewhere. Meanwhile, the Consumer Protection Department ensures, all be it in an ad hoc fashion, the immediate and effective remedy by the retailer of justifiable complaints brought to it by dissatisfied consumers.

Employment. Employment law remains one of the best legislated and implemented areas of the law. The Labour and Workmen Law with official *English translation is well* drafted, detailed and readily available. The three-tier conciliation and dispute committees set up under the law are reasonably efficient and readily accessible to Saudi and foreign employees. There are no fees for resorting to them.

Foreign Investment. Foreign investment is still encouraged through tax exemptions and other incentives available under the Foreign Capital Investment Regulations promulgated in *1979. More recently explanatory* guidelines have been issued defining development projects qualifying for the important Foreign Capital Investment Licence and related incentives.

Qualifying projects include *"industrial. agricultural, health* services and contracting" activities. Services are widely defined to include "banking, tourism, training, maintenance and operation, cleaning and pollution control, transporting, loading, advertising, publication, computer service . . . workshops, warehousing, cold stores, supermarkets and restaurants."

Documentation

Though there have been Min*isterial press releases indicating* that construction of roads and bridges can be met by Saudi companies and already licensed foreign entities in the Kingdom, new licences can in practice still be obtained for these activities. *With proper attention to the* voluminous documentation required, licences are now forthcoming within six weeks of application. Incorporation and Commercial Registration formalities following the grant of the licence can take a further two months, so all in all the foreign investor must look to about a six-month period for the establishment of a company or other permanently licensed presence in the Kingdom.

Insurance. Confusion reigns in the insurance sector. It has long been maintained by Islamic jurists that the contract of insurance is contrary to Sharia law.

This has recently been confirmed by the Senior Council of *the Ulema meeting in Mecca,* who unanimously resolved that all types of insurance, with the exception of co-operative insurance, were contrary to Sharia law. The Council recommended the establishment of a nation*wide government-sponsored co*operative insurance programme. These recommendations have yet to be implemented. It is understood that there is also a draft law under review to establish some control over the burgeoning insurance market.

Intellectual property. The Kingdom remains a haven for intellectual property pirates. Saudi Arabia is not a signatory to any of the international conventions for the protection of patent rights and there is *only rudimentary machinery* available for the protection of inventions and copyright.

There have been a series of Ministerial press statements warning against the importation and sale in the Kingdom of pirated products and the country is expected shortly to introduce more sophisticated patent protection machinery. Further, the Minister of Information has issued a statement that a copyright law will be issued but that meanwhile publishers are prohibited from publishing books without the notarised consent of the author or the author's heirs if he is deceased.

By contrast, the Trademark Regulations are reasonably sophisticated, though the Trademark Registry is overburdened. Registration can take up to three years.

Land. While the most recent Foreign Capital Investment Regulations anticipated purchase by foreign companies operating in the Kingdom of land for the purposes of their licensed objects, the necessary permits have not been forthcoming and, in fact, the inter-Ministerial Committee set up for the granting of such permits has not met for the past 18 months.

During the severe housing shortage in the past few years, rent control has been in effect. However, this will be phased out from the start of the Hejira year 1403 because it is considered that there is sufficient supply of housing to follow a policy of *laisse faire*.

There is still no central land registry and title is evidenced by title deed extracted from the records of the notary within whose catchment area the land lies. With the discrepancy in *practice between notaries,* particularly in relation to definition of boundaries, title disputes are frequent.

Lawyers. From the point of view of the foreign businessmen there remains a shortage of *expert legal advice.* By Council of Ministers Resolution last year, prohibition was placed on the grant of any further licences to foreign lawyers.

There has, however, been a number of foreign firms attempting to establish correspondent or associated relationships with existing licensed Saudi practices. The overheads involved and the cost of attracting adequately qualified foreign lawyers to the kingdom have resulted in a high failure rate for these *associations.*

Legal fees run at upwards of SR 700 per hour.

The practice of law in Saudi Arabia undeniably has its problems for Saudi and foreign lawyers alike. While Royal Decrees are published in the Official Gazette, many Ministerial Resolutions and circulars that make up the body of the law are not readily available and the practitioner frequently has to rely on incomplete Press releases as source material. There is no formal case reporting.

An increasing number of privately produced text books and legal digests have been appearing recently, though many of these tend to fall into the trap of repeating without original commentary those laws, regulations and procedures already well known and available.

Licences. Over the past two years the Government has been *asserting stricter discipline over* a wide variety of activities by imposing the obligation to obtain, and annually renew, special licences in spite of the business in question already having a general Commercial Licence. The requirement for special licences for transportation, travel and tourism, and aviation business, have been imposed all in the past twelve months.

The requirement for a Temporary Licence authorising a foreign company to open the necessary office in the Kingdom for the purposes of defined duration of its contract with the government is strictly enforced. Temporary Licensing procedure has become stan*dardised and the licence* can normally be obtained within one month to six weeks of application.

Disputes

Litigation. Litigation remains slow and unwieldy. Disputes with the government lie before the Board of Grievances, an administrative court following the Egyptian and the French system. Land, family and criminal matters lie before the religious Sharia courts.

The Committee for the Settlement of Commercial Disputes within the Ministry of Commerce was established in 1965 under the Companies Regulations, specifically for company disputes. Its jurisdiction has extended over the years to comprise most types of commercial disputes.

As a result of the increasing ascendancy of the Ministry of Justice over the Western-oriented Ministry of Commerce, it is rumoured that responsibility for the Committee for the Settlement of Commercial Disputes will be transferred to the Ministry of Justice, which is taken by some as boding ill for the foreign businessman.

There are a large number of administrative committees with responsibility for the effective operation of various areas of the law. These include Labour, Social Insurance and Commercial Papers Committees.

Arbitration remains a popular method of resolving disputes. The Jeddah Chamber of Commerce has established a reputation for speedy and equitable conduct of arbitration proceedings.

Professions. The establishment by foreign professional firms of offices in the Kingdom is becoming more difficult. Even where relevant regulations expressly anticipate the licensing of foreign professionals, in practice such licences are rare. This, and the cost of attracting professionals to the Kingdom, has resulted in much professional work, particularly for architects and consulting engineers, being performed off-shore.

Governmental agencies and in particular the Royal Commission of Jubail and Yanbu and ARAMCO are insisting that an increasing proportion of the engineering work be performed in the Kingdom. They go to some length to ensure that this policy is observed. Only those bidders who have a certain number of qualified professional residents and the necessary facilities physically in the Kingdom will be pre-qualified for consulting work.

Standards

While the professions are still in their infancy in the Kingdom and formal professional societies have yet to be established, the government itself is attempting to raise professional standards. As recently as March, an architect's licence was withdrawn for unprofessional conduct. According to the Ministry of Commerce the architect in question had "issued and made inaccurate layouts and endorsed layouts prepared *outside his office* by unlicensed draftsmen."

Social insurance. This is another well legislated and well policed area of the law. Contributions are payable 8 per cent by the employer and 5 per cent *by the employee on total* emoluments received by the employee. Total emoluments include housing and travel allowances, making social insurance contributions a considerable cost, largely wasted in the case of expatriates.

Organisations employing less than 20 people have been ex*empted from filing social* insurance returns. However, the General Organisation of Social Insurance has announced that as from Shawal 1402, the exemption will extend only to organisations employing 10 persons or less.

Tax. The salaries of foreign employees remain exempt from Saudi tax, making the Kingdom an attractive employment environment for foreigners whose home jurisdictions do not tax salaries earned abroad.

Tax is levied on a foreign company's profits arising in the kingdom at 45 per cent on profits over Saudi rials 1m. Tax on a lower scale is also imposed on the profits of self-employed foreigners. A recent change of considerable importance is circular No. 2 issued last year which prohibits foreign companies from consolidating their profit and loss-making activities in their Saudi tax returns.

Zakat: Saudi nationals and 100 per cent Saudi-owned entities are only liable to the $2\frac{1}{2}$ per cent religious wealth tax known as Zakat. Currently, only $1\frac{1}{4}$ per cent of this is col*lected* by the authorities, the other $1\frac{1}{4}$ per cent being left for payment by the individual to charities and good works of his choice.

The slow trend towards liberalisation

SOCIAL CHANGES

PETER MANSFIELD

A COMMITTEE of Saudi Arabian *fuqaha*—Islamic legal scholars—ruled in early April that a Saudi woman must be allowed to unveil in front of her prospective bridegroom. "Any man forbidding his daughter or sister ot meet her fiance face-to-face will be judged as sinning," the committee said.

This event says several things about the nature of Saudi society. It shows that it is extremely conservative, but it also indicates that it is changing and that the change is taking place at the pace approved by the religious authorities. In addition, it confirms that the status of women is the focus of interest.

Since the founding of the Kingdom, the Saudi Royal Family has not tried to force the pace of social change but to act through persuasion and influence. In the 1930s King Ibn Saud delegated his Education Minister to confront a group of *ulema* who objected to most aspects of the new education syllabus—including the teaching of foreign languages, science and geography.

Thirty years later his son, King Fiesal, had to cope with a similar delegation from Burayda, second city of Nejd, protesting against the establishment of a girls' school on the ground that it would teach their women loose and wicked ways. In both cases the technique of persuasion was the same: to challenge the protesters to quote anything from the Koran or the Sayings of the Prophet which forbade the acquisition of learning by girls or boys.

King Feisal and Queen Effat gave vigorous encouragement to the establishment of girls' schools. The implications for Saudi society are revolutionary. This may not be immediately apparent because Saudi women still lead such restricted lives. They are forbidden to drive a car or take a taxi alone or leave the country unless escorted by a male relative. Last summer it was decided that they should no longer be allowed to go abroad for their further education.

There are quite frequent occasions when even the slow trend of liberalisation is reversed to satisfy ultra-conservative opinion—a sudden ban on mixed bathing in hotel swimming-pools or on male hairdressers and dressmakers for women. Sometimes the orders remain ineffective or reports of them may be unfounded or exaggerated. Last summer the story circulated in Jeddah that no pictures of women ("even Mrs. Ghandhi") should appeal in the Press, but the ban did not materialise.

The trend towards female emancipation seems irreversible in spite of these sporadic setbacks, and undoubtedly, the main reason is the education of women. This is strictly segregated—male lecturers have to perform on closed circuit television. But the academic performance of Saudi girls is high—no doubt partly because they have so few alternative distractions. An educated young Saudi girl clearly shows her determination, if not to launch a women's liberation movement, at least to have an increasing say in the evolution of the country's *mores*.

Information

An excellent booklet published by Saudia, the national airline, for the benefit of Western expatriates working in Saudi Arabia, points out that an invitation to a Westerner from a Saudi colleague presents a range of possibilities.

Your wife may not be invited at all; she may be expected to go and be taken directly to the women's quarters; she may be included at dinner but the Saudi wife may not appear; the Saudi wife may be included; if so she may or may not be veiled in the presence of a man outside her family. Expatriates all agree that the trend, however slow, is towards the last of these possibilities.

One potent factor for change is the gradual replacement by the nuclear family of the old Arabian norm of the extended family in which mothers, aunts, sisters and cousins form a single harem. This change is especially apparent among the younger generation of the better educated and affluent middle class. The young Saudi has to move away from home to another city or abroad for his training or work and he takes his own family with him.

The phenomenon of the Dethronement of the Father noted by Arab social psychologists in the northern Arab states has not taken place in Saudi Arabia. A young married Saudi will still show great respect to his parents, but he may well not be living under his father's roof and this enhances the status of his own wife.

That an increasing proportion of Saudis travel regularly abroad on business or holidays is a factor of change. But it is less than it might be because of the remarkable powers of adaptation that most of them enjoy. If it was not that he or she can usually survive unscathed for lengthy periods in a Western environment and then return to the Saudi way of life without psychological shock, Saudi society would be deeply disturbed.

Western values do, of course, have some influence. There are still no public cinemas in the Kingdom but videotapes are becoming increasingly popular. Television has existed since the early 1960s and is gradually evolving under public pressure. Television controllers have some difficulty in balancing the desire of the younger generation for a wider variety of programmes with conservative opinion, but change does take place. There is now a home-grown Saudi Crossroads-type series using Arab actors and actresses (although the latter are Kuwaitis and Bahrainis rather than Saudis).

Yet it would be quite wrong to suppose that all social change is a form of Westernisation, still less of secularisation. The reality is much more complex. The acquisition of the best 20th century technology—a prime aim of the Saudi regime—does involve a certain degree of Westernisation. But there is an equally strong tendency at work which is the reaffirmation of Islamic values.

Resurgence

This is reinforced by the current mood of Islamic revival as well as by Saudi pride in the Kingdom's central place in the Muslim world. Resurgent Islam runs counter to many Western trends but it is also opposed to most tribal values, as it has been since the days of the Prophet. Islam replaces tribal law with the Sharia. Thus when *ulema* say there should be no compulsion for women in Islamic marriage they are countering an ancient tribal tradition.

The new class of Western-educated Saudi technocrats and businessmen to whom much of the country's future belongs range from extreme piety to laxity in the performance of their religious duties. But only a tiny minority would regard themselves as anything but believing Muslims.

The suggestion that Saudi Arabia must evolve into a Western-type secular state would seem to them absurd. Whether progressive, conservative, or, as is more probable, moderate in their views they would agree that the problems of Saudi society must be worked out in an Islamic context.

This is always apparent when any social issue is discussed and there are few subjects which arouse more concern than the employment of woman. In an underpopulated country relying on a massive import of labour, the virtual exclusion of half the population from the labour force becomes increasingly difficult to defend—especially when so many women are being educated to a high level. Women can only be employed in the feminine sector—as teachers, nurses or doctors dealing with women or more recently in the new all-female banks.

Leading young Saudi technocrats responsible for the implementation of the Kingdom's ambitious development plans have made it clear that this must change. Some are frankly impatient, saying that there can be no evidence that the employment of women beside men in industry and administration will lead to the breakdown of morality until it has been tried. Probably a greater number are prepared to be patient in the belief that change must come but should come in its own time.

One difficulty is that the jobs in which women might be most useful, as secretaries, are the ones which arouse most apprehension among the conservatives because of the powerful Western image of the secretary hired for her appearance rather than her efficiency. Yet there can be little doubt that in 10 years Saudi girls will be accepted in a much wider range of jobs and that those who are married will be sharing more of their husbands' lives.

Pilgrims from all over the Muslim world flood into Mecca

Women defensive on segregation issue

EDUCATED, URBAN Saudi women are largely defensive about their condition and their country's policies towards them, even in casual conversation. The veiled face is just part of our tradition, they say. Segregation is necessary because when men and women mix there is trouble.

Many express anger over reports in the West that claim Saudi women are idle, bored and repressed. They point proudly to their women's undergraduate colleges, open for more than 10 years, and to their widespread public school system for girls.

They say any woman who pleases may work, and they maintain that Islamic traditions protect them and that they do not have the fears of women in the crime-ridden West.

Some 200,000 women work in the Government as teachers, social workers, administrators and medical workers. There are many more in the private sector in education, social work, banking, business and medicine. Only in the medical world do they work side by side with men.

The Kingdom's Labour and Workmen Law of 1970 stipulates that women may work but "in no case may men and women comingle in the place of work." In Saudi society a man is not privileged to see any women—except his closest female relatives—unveiled.

Women in the desert hinterland or in the terraced valleys of the lush Asir region work by their own rules. The vast majority are employed, starting young in areas where they have no access to girls' schools. Toughened by their rugged existence, they shirk no type of physical labour.

Hard workers

In fact, they work harder than men, who seem more at home in their pick-ups heading for the souk to buy provisions and to have a long chat in the open-air tea houses. There is no clear division of labour, but generally the men go to market and the women tend to the goats and till the fields.

It is common to see Bedouin women herding goats and sheep across a windy plain or unloading huge sacks of provisions single-handedly off the back of their husband's pick-up.

In the cultivated Asir valleys in the south-west escarpment area, the women may be recognised by their large, sombrero-like straw hats and their unveiled faces. They bear little resemblance to their urban sisters, shrouded in black bundles scuttling through gold souks.

The urban women, for the most part, do not venture out alone and spend most of their time hidden away indoors, either in their segregated offices or at their own or friends' homes.

They do not seem to mind the segregation. "Working with only women I feel more free," says one woman banker. But she is aware that segregation denies her entry into other fields.

Another major concern is finding transportation. Women may not drive. Except for the wealthy who are whisked around in style, women must make do. Buses, with separate areas for women, have been operating in the major cities for a year, and Saudi women are gradually beginning to step aboard.

The working world is still a novelty for the great majority. "We have to bend the rules sometimes," says the manager of the Women's Branch Bank. Organising schedules so that women can devote certain hours to their family is one way of being flexible, she adds.

The family continues to be of paramount importance in this Islamic society. Cecile Rouchdy, who opened the first school for girls in 1956, commends this.

"Frankly, when women with jobs ask my advice (if they are perturbed about not spending enough time with their family), my advice is that priority goes to the family."

However, having an extended family—often the case in Saudi Arabia—works in the women's favour because she can leave her children at home, cared for by a grandmother or aunt. Otherwise children suffer, Cecile Rouchdy believes. "Why do they (Western women) go to university to do child psychology and child training and you see their home and they have delinquents as children?"

JENNY COOK

Moves to preserve ancient treasures

ARCHAEOLOGY

MICHAEL RICE

IT IS one of the curiosities of archaeology that, until recently, few people, scholars and laymen alike, have questioned the large blank on any map of the ancient world represented by the Kingdom of Saudi Arabia and, hence, most of the land surface of the Arabian Peninsula. It has been assumed apparently that, with few exceptions, there was nothing there.

This was a very peculiar observation about a region inhabited by the very earliest ancestral primates, which became the centre of world trade and the quest for raw materials over millennia, and which was the homeland of one of the greatest expressions of the human spirit in the search for the Divine. But the indices of even the most comprehensive reference books ignore pre-Islamic Arabia. They will not be able to do so now.

Over the past decade one of the most remarkable programmes of archaeological planning and development anywhere in the world has been taking place in the Kingdom. Under the direction of the Department of Antiquities and Museums, which is headed by a remarkable young Saudi archaeologist, Dr. Abdullah Hassan Masry, a largely unpublicised campaign to identify, record and protect Saudi Arabia's historic heritage has quietly been amassing an astonishing amount of information about the country, from its most ancient origins to the present day.

Survey

First, in the absence of any body of research or of professional work comparable with that carried out in other lands of the ancient near east, such as Egypt or Mesopotamia, it was decided to mount a survey of surface sites to record all available evidence above ground level, of habitation or occupation. Teams drawn from the Arab countries were joined by British, American and European scholars, officials and institutions. The Saudis themselves were represented in all the groups which, between 1976 and 1981, marched and drove over tens of thousands of square miles, mapping and recording what they found.

William Facey

One of the world's most remarkable programmes of archaeological planning and development has been taking place in Saudi Arabia in the last decade. Above: The façade of a rock-cut tomb at Medain Saleh, a large Nabataean site in the north-west of the Kingdom

Several thousand sites, from lower Palaeolithic times to the present century, have been identified, from stone age workshops to the great public works of the splendid centuries of the Islamic Empires at their flowering and the monuments associated with the unification of Arabia by King Abdul-Aziz bin Abdul Rahman al Saud, in the early decades of the 20th century.

The most remote discovery, in terms of time, was made by a British Museum group, working in the north-east. They identified the fossil remains of *Dryopithecus*, a tree-living creature on the ancestral lines of both man and the apes. Its discovery demonstrated how sharply the climate of Arabia has changed.

Some of the high points of the survey were the recognition of stone-circle settlements in the north-west of Arabia which seem to be associated with fourth and third millennium copper smelting sites like those in the nearby Sinai, and the remarkable complexity and extent of Arabian trade routes, particularly those which distributed the aromatics on which Arabia's ancient prosperity was founded. Some of these routes traversed Arabia, running from the south and south-west to the north and north-east.

Inevitably the need to modernise the Kingdom has meant the loss of important buildings which would otherwise have been preserved. Now, however, the Department of Antiquities and Museums and other institutions, such as the King Abdul-Aziz University in Riyadh, are ensuring that sites of historical importance are preserved. Saudi scholars have a number of successes to their credit in this respect.

Abdullah Masry himself pioneered the excavation and analysis of Ubaid sites in the east, the knowledge of which is crucial to an understanding of the part played by the disseminators of this important, pre-Sumarian (or perhaps ancestral to the Sumerian) culture in the Gulf and Eastern Arabia, six thousand years or more ago.

In the extreme south below Riyadh, an excavation conducted by Dr. Abdul Rahman al Ansani is revealing successive levels of an important caravanserai at Al Fau which, over hundreds of years, was a major staging post on the spice route. Shops, public buildings and a large marketplace have been unearthed, dating from perhaps as early as the fourth century BC.

Dr. Saad al Rashid of the University of Riyadh has been responsible for mapping, excavating and, in places restoring buildings on the remarkable Pilgrims' Road built by the Lady Zubaidah, the consort of the Caliph Hanoun al Rashid, which runs across Arabia from Basra in Iraq to the Holy Cities of Mecca and Medina.

The findings of the survey year by year, together with the results of other studies related to the ancient history of Arabia, are published by the Department in scholarly volumes, in Arabic and English, under the title Atlal ("monuments" in Arabic). Contributions to Atlal are received from scholars of many nationalities and different disciplines, and it is already the foremost journal of its kind being published in the Arabian Peninsula.

The most complete overview of the ancient history of Arabia in visual terms at least, is to be found in the Museum of Archaeology and Ethnography in Riyadh. Here is presented in a vivid chronological sequence, the material evidence recovered from sites all over Arabia, from Palaeolithic times onwards.

Development of museums in Saudi Arabia is again the responsibility of the Department and is being discharged with perception and care. A plan is in hand for the creation of a major foundation in Riyadh, the National Museum. As yet, this has not gone beyond the planning stage.

A programme for the creation of a network of museums on major sites throughout the Kingdom is well advanced. Tenders for the construction of six of them will be sought shortly, the basic research, planning and design stages having been completed under the Department's supervision.

Facilities

These site museums are complex and carefully designed. They will provide conservation, laboratory and storage facilities for artefacts when excavation of the sites begins. Accommodation for archaeologists and others working on them will also be provided. An important consideration, too, is that they will be built on sites often remote from present-day centres. They will thus be given a degree of protection which few ancient sites have ever enjoyed.

The catalogue of sites at which museums are to be built is a roll-call of Arabia's past: Jizan in the far south-west; al Ula, a trading centre in the north-west for at least 2,800 years which gives access to the amazing rock-cut tombs of Medain Saleh; Taima, a city whose walls stand seven kilometres round, once the capital of the Babylonian Empire; Al Jawf, a caravanserai on the pre-Islamic spice trade with stunning early Islamic remains; and Al Hofuf, a great oasis city in the eastern province which has harboured man and his ancestors since the remotest times.

Two further installations are envisaged in Al Qasim and the Wadi Dawasir. It is an extraordinarily exciting and advanced project by any standards in the archaeological world.

Of all the great archaeological provinces of the ancient world, Arabia is the last to give up her secrets. They may prove to be among the most remarkable. They will certainly be among the most venerable in their antiquity.

Margaret Van Hattem explains why the Nationality Bill has stirred so much controversy

Citizenship's stormy passage

FOR A PIECE of legislation which ostensibly seeks to do no more than restate, in terms of citizenship, a situation which has existed since the 1971 Immigration Act, the British Nationalities Bill is generating a remarkable amount of heat at home and abroad.

Is it simply a mild outbreak of embarrassment among Britons who do not care to see the racial discrimination implicit in their immigration laws spelt out in terms of first, second and third-class citizenship? Or does the new legislation go further than the Government is prepared to admit?

Many, including the Opposition parties at Westminster, the Asian community in Britain, the Indian Prime Minister, and the effectively stateless British subjects lingering on in what used to be the empire, believe it does. They feel the Bill will undermine the rights of thousands who thought that they, their children and grandchildren were by now securely and irrevocably British. That is why the Bill has emerged as the most controversial piece of legislation of the current session.

The storm last week over the introduction of a timetable motion was largely artificial. The Opposition was privately delighted over the Government's obvious discomfort in having to guillotine a major constitutional Bill, especially when most of the major clauses had already been covered.

But underneath the procedural shadow-boxing lies a growing suspicion that the climate of opinion in Britain may be changing. Labour politicians at least, especially those with a lot of Asian constituents, think that now the big waves of coloured immigration are over, there may be more votes in being seen to espouse liberal policies than in accommodating views that the activities of the various Nazi and National Front groups are helping to discredit.

The Labour Party has promised to repeal what it considers the more racist parts of the legislation, and the corresponding parts of the Immigration Act. Throughout the Bill's committee stage it has fought tooth and nail, clause by clause, even opposing some of the provisions set out in its own 1977 Green Paper on Nationality.

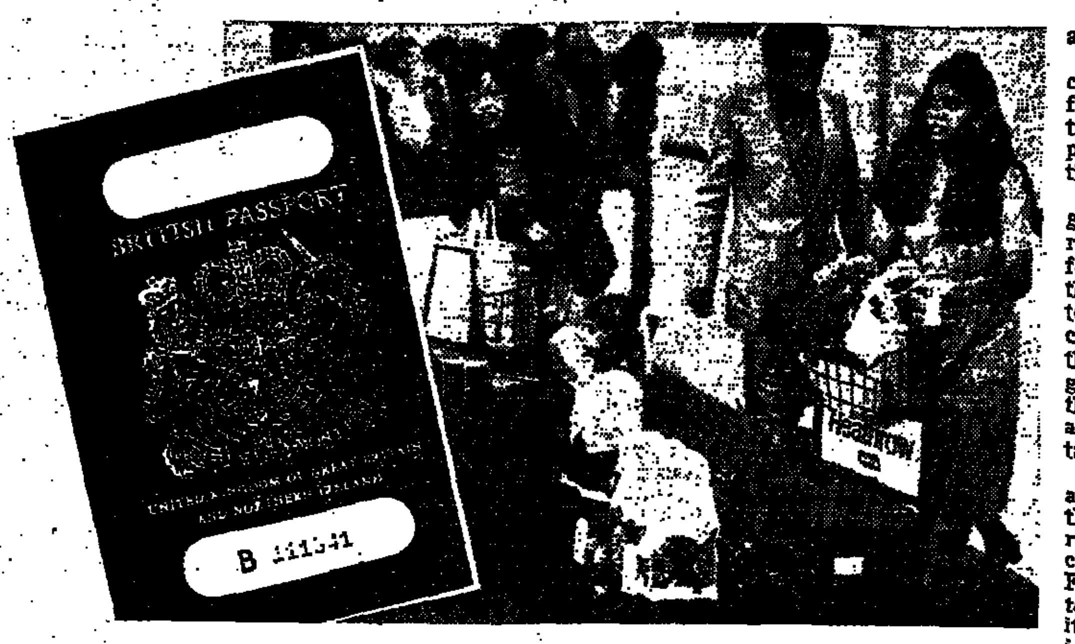
As a result, the committee has proceeded at an average rate of 50 words an hour. After 90 hours of debate it had covered barely 13 of the Bill's 49 clauses. The Government, fearing they might keep it up until the end of the session, reluctantly blew the whistle.

Round one to the Opposition. But the Government is drawing comfort from the fact that by making two major concessions before the committee started its sittings (bestowing citizenship on any child born in the UK once it has lived here for 10 years, and allowing British citizens by naturalisation or registration to transmit citizenship to children born abroad) it has managed to steal much of Labour's thunder.

It also believes Labour's promise to repeal the legislation may prove an electoral embarrassment after all. And the Bill is now virtually certain to become law this year.

The Bill is designed to tailor British citizenship to fit the restrictions on the right to enter and live in the UK which were introduced in the 1971 Immigration Act.

At present there is no such thing as a British citizen. There are British subjects—around 950m of them—including citizens of 43 Commonwealth countries and around 60m citizens of the UK and colonies.



The Bill establishes three categories of citizenship to cover the citizens of the UK and colonies. They are:

- British citizenship.
- Citizenship of British dependent territories.
- British overseas citizenship.

The first category—British citizenship—covers the estimated 57m who already have the right to live in Britain: those who (or whose parents or grandparents) were born, adopted, naturalised or registered in the UK. Most of these will become British citizens automatically as the Act comes into force.

However, the Bill imposes certain restrictions on those seeking British citizenship in future, excluding some who would automatically have become citizens of the UK and colonies.

It does not automatically cover all children born in Britain. Those born to students, visitors, people whose stay here is subject to conditions, and illegal immigrants will have to live in Britain 10 years before they can register.

Nor does the Bill automatically cover all children born abroad to British citizens. Those whose parents were also born abroad may be excluded, unless their parents were recruited in Britain to work for the UK Government, for a company established in Britain, or for an international organisation such as the UN or the EEC to which Britain belongs.

Alarm in Hong Kong over this provision has not been entirely defused by the Government's promise to "consider" for British citizenship Crown servants recruited in Hong Kong, and to ease the conditions for Hong Kong passport holders living in Britain applying for British citizenship.

The Bill also tightens the conditions whereby Commonwealth citizens living in Britain will in future become eligible for British citizenship, and empowers the Home Secretary to reject at his own discretion applicants whose "good character" or knowledge of the English or Welsh languages he considers inadequate.

The second category—citizenship of British dependent territories—covers the estimated 3m living in Britain's remaining 15 colonies and two associated states.

These include about 2.6m in Hong Kong, and others in Bermuda, Gibraltar, the Falkland Islands and other minor outposts. They would have the right to enter and live in their own territory but not other territories and not Britain.

The third category—British overseas citizenship—covers the remaining 1.5m citizens of the UK and colonies. Most of them are people of Chinese origin, living in Malaysia who, because of that country's racial tension between Malays and the Chinese, opted to remain British at the time of independence. It also includes around 200,000 East African Asians, many of whom are currently in India awaiting admission to Britain.

British overseas citizenship confers no rights—many who fall into this category are effectively stateless—and cannot be passed on to the second generation.

Although those in this category will not actually lose any rights, for they had none conferred by the UK to begin with, they are loath to lose the protective "UK and colonies citizenship" label. They fear that the UK Government, in gradually severing all ties with them and their descendants, is abandoning them to an uncertain fate.

To sum up, the Government appears justified in its claim that the Bill does not alter the rights of those who are already citizens of the UK and colonies. For it concerns only the right to enter and live in the UK and its colonies, as already defined in the Immigration Act. All other rights, privileges and duties are either covered in other legislation or not defined by law.

But that does not answer the real criticism of the Bill, which centres on the rights of future generations and the vulnerability of those left stranded by the collapse of the empire. Here the Government is on weaker ground.

The Bill will allow it in future to be much more selective in deciding who shall have the right to live here. And it phases out the theoretical ties, however flimsy they may have become, on which the East African Asians and the Chinese in Malaysia might have based future claims for British protection.

The Labour Party has been subjected to an intensive lobbying campaign from leaders of Asian communities concentrated in urban constituencies and has concluded it has little to lose and much to gain from backing their cause.

Hong Kong's fear of being ditched by Britain

HONG KONG'S two and a half million British subjects are beginning to look with some envy on their neighbours in Macau, 30 miles away across the Pearl River estuary.

By a quirk of colonial history, the Maccanese are Portuguese citizens. Which means that when Portugal joins the European Economic community, they will more easily be able to get into Britain than any British subject in Hong Kong.

It is anachronisms like this that have generated the groundswell of alarm and emotion over the British Nationalities Bill in Hong Kong, Pakistan and throughout the non-white Commonwealth.

The issue flared during Mrs. Thatcher's recent visit to India.

With important discussions on the Soviet occupation of Afghanistan and on bilateral trade, the storm over the Nationality Bill was an irritating distraction, and may have soured the mood of the talks.

The Indian Government's main concern is over the fate of about 35,000 African Asians—mostly from Uganda and Kenya—who are temporarily settled in India pending permanent settlement in the UK.

Britain has been accepting these families—about 6,000 remain in India—under the entry voucher system at a rate of 500 a year.

While the British Government has given assurances that it will not renege on its commitment to these families, there is concern that once the Nationality Bill makes these families British Overseas citizens, their children will have no right to British citizenship if they are born in India before the family is finally moved to Britain.

A second Indian fear is for the 600,000 Indian immigrants settled in Britain. About 200,000 of these, mostly professionals like doctors, lawyers and engineers, still retain Indian citizenship. Because the Indian constitution forbids dual nationality, these are not yet UK citizens and there is growing anxiety over the ease with which they might be naturalised once the Nationality Bill becomes law.

Alarm in Hong Kong has different roots. Foremost is one grassroots conviction that Britain is step by step distancing itself from the colony. This is linked to fears that Britain plans to bring to an end its colonial rule and to return Hong Kong to China when the New Territories lease runs out in 1997.

The Hong Kongese see the passport they will get once the Nationality Bill is made law—they will become Citizens of the British Overseas Territories along with colonial subjects in the Falkland Islands, Gibraltar and Belize—as being a second-class passport for people who have become a secondary concern for Britain.

Beyond these intangibles is a real fear that the new passport will not be accepted on the same basis as a full British passport. This will make business travel from Hong Kong in third countries more difficult and would damage the colony's considerable strength as a trader.

It is far from clear what rights will go with Citizenship of the British Dependent Territories. Nor is it clear what obligations the British Government accepts towards them.

David Dodwell

Letters to the Editor

Civil service pay

From Mr. J. Mapley.

Sir,—Mr. Kendall, secretary general, Council of Civil Service Unions, has replied (April 29) to Mr. Pogmore's sensible letter on median earnings, in the usual civil service "blanket over the eyes" manner.

As a county council administrator and auditor (retired—having been in office since 16 years of age), I object to bureaucratic statistical manipulations. Having had long experience of pay-rolls, gradings and the like for some 100,000 employees, I am as capable of "pulling the wool" as is Mr. Kendall—and then some.

From the age of 16 years to 18 years (pre-war) I was paid 12s 6d (62½p) per week, £1 at 19, £3 at 23. These were higher than "national" Whitley scale-rates. At 26 years I was on £7 per week, at 29 £9.50 per week. Inflation was a fairly minor issue at that time.

The point I am trying to get across is that, despite the approximate 100-fold increase in pay to junior staff since pre-war (compared with around 20-fold increase for older staff), the incremental and promotion effects on pay throughout the public services still applies.

Despite my 10 "O" levels (or equivalent), and responsible positions from 18 years onwards, we were deemed, in essence, to be "serving an apprenticeship." I have no doubt that the same approach applies today, though rather more (over) generously applied.

If Mr. Kendall wishes to convey the real truth concerning CS median pay, will he kindly give the average figures of gross earnings for all male staff aged 25 years, 35 years and 45 years upwards. Will he then compare those figures with the pay of similarly aged craftsmen (engineers, mechanics, joiners, plumbers, etc.).

These "adult" incomes reflect the true rates, covering a working lifetime. If Mr. Kendall asserts that it is not possible to break down these age group figures, then computers are of small use. We could produce such statistics manually in half-a-day with two employees.

Aside from index-linked pensions, can Mr. Kendall please inform us of the average retirement lump-sum paid to officers with full 40 years' service.

Jno Mapley.
158, Victoria Road,
Fulwood,
Preston, Lancs.

Irrelevant statistics

From the Managing Director, Zenith Electric.

Sir,—Mr. W. L. Kendall (April 29), like so many trades union leaders, chooses irrelevant statistics to make his case. He has studiously avoided making the comparison I suggested, which is between median earnings for the whole of the working population and median earnings for all civil servants.

J. H. Pogmore,
Cranfield Road,
Wavendon,
Milton Keynes.

Increases in the rates

From Mr. M. Burnett.

Sir,—There has been an attempt by the Labour opposition to blame rate increases on the reduction in central government support.

Taking Wandsworth as an example, this is a distortion of reality. Inner London Education Authority blames an "inflation" element of 19.7 per cent for its 17.7 per cent increase in net revenue spending need. By contrast, even though "inflation" increased the spending needs of Wandsworth Borough Council by 17.3 per cent and Greater London Council by 12.4 per cent; actual revenue spending increased by only 7 per cent (GLC) and fell by 2.2 per cent (WBC). This in spite of the ILEA external grant receipt increase of 0.8 per cent compared with falls of 10.1 per cent (GLC) and 4.5 per cent (WBC).

Hence the reason why, having chosen to forfeit the central government grant rather than reduce expenditure, 84 per cent of the rate increase being suffered by Wandsworth ratepayers in 1981-82 is due to ILEA.

This should make the consequences of Labour being elected to County Hall on May 7 obvious.

M. J. Burnett.
123, Replingham Road,
Southfields SW18.

Capital gains tax

From Mr. L. Clark.

Sir,—Generalising from the example of the half-dozen Chancellors who have been in power since 1965, Mr. A Mackay (April 25) assumes "Chancellors will not end the dishonest injustice of limitless capital gains tax in an age of high inflation." But does the present Chancellor deserve inclusion in this stricture?

It would seem not. On May 16, 1978, when the Conservatives moved that the CGT be indexed, we read: "The new clause stands in the name of my right hon. and learned friend, the Member for Surrey, East (Sir G. Howe)." He did not speak in the debate but voted for the clause. But in his Budget speech (March 10, 1981) Sir Geoffrey said: "In a year in which we can give no income-tax relief, I cannot make major changes in capital taxation."

This is the argument by which the indexation (or tapering) of the CGT was blocked repeatedly by Minister of State, Treasury (Mr. John Nott) during Mr. Heath's administration. For instance, he said on May 23, 1973: "I repeat the principal comment I made on July 10, 1972, when we debated this matter in the House: 'If capital gains tax could be looked at in isolation there might be a case for eliminating the inflationary element in chargeable gains; but capital gains tax cannot be looked at in isolation. . .'"

Laurence Clark.
6, Temple Gardens, Moor Park,
Rickmansworth, Herts.

Put everyone in the picture

From the Managing Director, Soag Machinery.

Sir,—No chief executive who wants his staff to work with him instead of for him, will disagree with Mr. Arnott (April 30) on the need to keep everyone informed on company performance.

That such information should not be confined to sterile financial reporting is also beyond dispute. Since performance, however, has ultimately to be measured in financial terms, employers should concentrate their attention on providing figures which are not only easy to understand but have real meaning. Stating profit without declaring capital or net assets employed is not just meaningless—it is misleading and has helped to make "profit" a dirty word in the past.

Return on investment is what matters and we should find a common formula to express it clearly so that the most unfinancial in the workforce can decide whether or not he would want to invest his personal savings or the pension fund in the company that employs him.

P. Flatter,
Transport Avenue Industrial Estate,
Great West Road,
Brentford, Middlesex.

Horticulture's burdens

From the Managing Director, Hedon Growers, Burstwick

Sir,—I wish to correct a statement made by your reporter on April 27 when he was writing about the effects of the blizzards on the farming community.

He stated "horticultural and salad products from greenhouses will be more expensive because growers have had to increase heating." My company incurred additional heating costs of £10,000 during the week-end storms and in no way are we able to pass on this burden to our customer. Our product is perishable — in our case cucumbers, and in no way can we do more than take the market price for the day.

Our heating costs represent 30p for every £1 value of product sold, which figure is almost double that of our Dutch competitors, who are heavily subsidised by their Government. In the meantime our Government is apparently not prepared to help British horticulture stay viable.

J. E. Leggott.
The Nursery, Burstwick,
North Humberside.

Road and rail

From the Secretary, Campaign for the Defence of the Motor Vehicle

Sir,—May I remind Mark Sullivan (April 28) that the road v rail war that he tries to fuel through your columns is over and that those that try to fan it into life do no service to the transport industry or to Britain.

As Mr. Sullivan knows, on February 28, 1981, a submission was made to Norman Fowler—calling for investment in transport—in the name of the three rail unions, the Transport and General Workers' Union, the Amalgamated Union of Engineering Workers, British Railways Board, British Road Federation, Freight Transport Association, Road Haulage Association and the National Freight Company. By this initiative these traditional warring factions gave notice that in their view Britain's traffic infrastructure should no longer be used as a political football and that Governments may no longer use their divisions as an excuse for doing nothing.

If Britain is to emerge from its economic recession; if British goods are to become competitive on the home and overseas markets, then all transport has a vital role to play and cannot afford the luxury of the "in fighting" that has been such a part of their history.

As Tom Jenkins of Transport Salaried Staffs Association said at the recent TUC transport rally "there is room in the market place for both road and rail." I would take that one step further and say there is need of both and that both should work to maximum efficiency.

Albert Ingram,
Campaign for the Defence of the Motor Vehicle.
8 Brooklands Close,
Hall Green, Birmingham.

Industrial relations

From the Managing Director, Fine Tubes

Sir,—I see that Mr. Prior repeats yet again his claim that the law "cannot solve the fundamental problems" of industrial relations. He is, of course, entitled to his view: it is British industry's misfortune that those of us at the sharp end have to live with his amateur's alternative.

It really is too much, however, when he criticises "Eastbourne, Reigate . . . the whole of the stockbroker belt" for being far away from the shop floor. I am sure that Mr Prior is a good farmer, a we[illegible] and worthy citizen, but would he please tell us his credentials or practical [illegible] for pontificating on industrial relations?

T. M. Barclay.
Fine Tubes.
Estover Works, Crownhill,
Plymouth.

Confidence is stabilising

From the Deputy Director-General
Confederation of British Industry

Sir,—Mr. Bury (April 30) says that if the CBI and the TUC were to cease making gloomy utterances the economic outlook would not only look better, it would probably quickly become better. What an easy solution to our problems that would be, but alas, burying our heads in the sand will cure none of our problems.

As for being prophets of gloom, all the CBI is doing is to report the findings of a broadly based sample of 2,000 manufacturing companies on how they find the current situation in terms of actual orders, production, sales and so on. The simple fact is that since July last year the rate of decline in business confidence has been slowing down steadily. Our latest survey is in line with this and shows that confidence is now stabilising, though at a low ebb.

Four out of five firms in British industry are still working below capacity, and output and demand have continued to decline over the past four months — albeit more slowly than previously — and are now at very low levels. But clearly, simple facts are not for Mr. Bury.

Edward James.
CBI,
Centre Point,
103, New Oxford Street, WC1.

Today's Events

GENERAL

UK: Sir Geoffrey Howe, Chancellor of the Exchequer, launches Business Opportunities programme.

Sir Terence Beckett, Confederation of British Industry director general, and Mr. Alan Fisher, Trades Union Congress chairman, speak on industrial relations, Institute of Personnel Management conference, Royal Lancaster Hotel, W2.

Mr. Michael Foot, Opposition leader, and Mrs. Shirley Williams, Social Democratic Party, address meeting on "Fight world poverty," House of Commons.

Civil Service Union conference opens, Blackpool (to May 8).

Banking, Insurance and Finance Union executive meets to discuss pay dispute.

Sir Horace Cutler, Greater London Council leader, opens London International Building Products and Services Exhibition, Olympia (to May 8).

RoSPA Occupational Safety and Health conference opens, Harrogate (to May 7).

Sir Leckraz Teelock, Mauritius High Commissioner, opens exhibition of Mauritius stamps, Stanley Gibbons, Strand, WC2 (to May 29).

Overseas: The Queen and Prince Philip start three-day State visit to Norway.

Mr. Alexander Haig, U.S. Secretary of State, concludes meeting with Nato Foreign Ministers, Rome.

European Parliament in session, Strasbourg (to May 8).

International Spring Fair opens (consumer goods), Plovdiv (to May 14).

PARLIAMENTARY BUSINESS

House of Commons: Finance Bill, committee stage. Education (Allowances for Assisted Places in Secondary Schools) (Scotland) Regulations.

House of Lords: Local Government (Miscellaneous Provisions) (Scotland) Bill, committee stage.

OFFICIAL STATISTICS

Treasury publishes UK official reserves for April. Bank of England gives details of capital issues and redemptions (during the month of April).

COMPANY MEETINGS

See Financial Diary on page 20.

COMPANY RESULTS

Final dividends: British Investment Trust. French Kier Holdings. Grovebell. Lamont Holdings Mothercare. Pearson Longman. S. Pearson and Son. Roberts Adlard. Telephone Rentals. Tootal. Warnford Investments. Thomas Warrington. Interim dividends: Bellway. Common Brothers. J. Hepworth and Son. C. H. Pearce and Sons.

UK COMPANY NEWS

Cowie falls £195,000 into red at halfway

IN WHAT has been the most difficult period in its history, T. Cowie, motor dealer and credit finance group, suffered a turnround from a profit of £625,000 to a pre-tax loss of £195,000 for the half year to March 31, 1981.

Turnover, however, rose by £14m to £44m, and Mr. Tom Cowie, the chairman, says that but for the increased distortion arising from the seasonal nature of the group, a first-half profit would have been reported.

Traditionally the major part of the business has been seasonal with the best results arising in the second six months. With the acquisition of the George Ewer Group and in particular its coach activities, together with Eastern Tractors which is subject to wide seasonal business fluctuations, the seasonal nature of the trade of the enlarged group is extremely pronounced, Mr. Cowie explains.

While the group has continued to sell in reasonable volumes, margins have been under severe pressure engendered by the intense competition for the business available. However, it has now entered the best part of the year with recent and prospective falls in interest rates having a beneficial effect.

The directors are most encouraged by current results throughout the group and are therefore recommending an unchanged interim dividend of 0.8p net per 5p share, payable July 24 — last time, the total payment was 3p on £1.25m pre-tax profits.

At the pre-interest level, profits for the half year showed a sharp downturn from £212m to £0.9m —interest took £1.1m (£1.46m). With tax charge again £41,000, the net loss came to £236,000, against profit of £611,000. The interim absorbs £96,000 (same).

comment

The Cowrie group seems to be suffering from a slight case of indigestion, with the various parts of the Ewer acquisition proving to be the main problems. The group's unhappy downturn into loss was caused in part by losses of around £350,000 in the coach business and around £250,000 in Burrell's of Ipswich, the Vauxhall dealer acquired with Ewer. Burrell's will be sold within the next three weeks and Cowie hopes the coach division will perform better in the second half. Eastern Tractors just broke even and may be headed for the black. The rest of Cowie's malaise comes from its 75 per cent gearing and from the sorry motor industry, where volume is not suffering as much as margins. For the full year, Cowie will probably manage to attain its 1975 profit level with around £¾m pre-tax. The interim dividend is uncovered and a maintained final could produce a prospective yield of just under 10 per cent at 44p.

Moss Bros. reversal

FOR THE 53 weeks ended January 31, 1981 Moss Bros., tailoring concern, suffered taxable losses of £38,000, compared with a £428,000 profit, on turnover ahead from £7.99m to £8.58m.

The current year has started quietly, the directors state, but with the actions they are taking and the plans laid, the group feels that there is room for guarded optimism.

Loss per 20p share is shown as 1.55p (7.68p earnings) and a reduced final dividend of 1p (1.911p) net leaves the total down from 3.311p to 1.7p.

Loss for the 53 weeks included exceptional costs of £119,000. After a tax charge of £1,000 (£235,00) and an extraordinary credit of £34,000 (£60,000 debit), deficit came through at £5,000, compared with a £13,000 profit.

BICC—encouraging long term

ACTIONS TAKEN to improve the performance of its basic cable-making activities, the strengthening of its international network and the continued diversification towards the electronics sector are helping to ensure BICC remains a soundly based enterprise with an encouraging long-term future, Sir Raymond Pennock, the chairman, states.

BICC profits in 1981 will be strongly influenced by the timing and extent of any economic upturn in the UK, he tells members in his annual statement. But the international strength of the group, both in its exports and overseas investments, should enable it to continue to make satisfactory progress.

The group's partnership with Corning in the UK development of optical fibres and its declared interest in railway electrification are encouraging developments for the longer term, Sir Raymond adds.

As reported on April 9, pre-tax profits of the group, the UK's leading cable manufacturer, rose by 14 per cent to £74.6m for 1980, with earnings per 50p share up 29 per cent to 23.6p. The dividend is being raised to 9.43p (8.57p).

Referring to the UK cable business, the chairman says BICC has reaped the benefits from eliminating unprofitable activities and with a leaner, more efficient organisation, is better placed to benefit from any upturn in the economy.

Continued improvement is expected at BICC Cables and in the longer term, benefits should be obtained from the trend towards higher technology products and the even greater attention now being paid to exports.

At Balfour Beatty, the trading and order book position is satisfactory and includes significant major projects in Hong Kong, Saudi Arabi, Tanzania and Sri Lanka, in addition to the UK.

The board is confident that the company's adaptability and wide coverage of activities will enable it to overcome current economic difficulties and to improve its position in future years.

In BICC Industrial Products, the strategy of serving the electronics industry is taking international shape with the acquisition of the U.S.-based Boschert and turnover in this sector is expected to reach some £50m in 1981. The drive for new investments and greater efficiency is well under way and will continue this year.

During the year, a £35,000 compensation payment was made to a former director in respect of early retirement fro mexecutive office.

Meeting, 21, Bloomsbury Street, W, May 28, noon.

BIDS AND DEALS

Trust Securities plans Heathrow complex

Trust Securities Holdings has sold W. W. Drinkwater, the company purchased earlier this year to obtain a major site for development at Heathrow Airport.

Trust has sold the interest to Maybank Enterprises, a private industrial holding company, for a total of £2.4m, and will be sending details to shareholders in the near future. Maybank will continue to operate Drinkwater as a waste disposal and gravel business.

Net effect of the transaction is to leave Trust with a site of 247 acres just north of Junction 4 of the M4, together with two additional sites, one of 63 acres near Denham and 22½ acres in Hayes.

Trust has concluded its preliminary investigations for the development of the land at Heathrow as an industrial high technology park have now been concluded, and anticipates making a planning submission jointly with the London Borough of Hillingdon within the next few weeks.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to wether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Bellway, Common Brothers, J. Hepworth, C. H. Pearce.

Finals—French Kier, Lamont Holdings, Mothercare, Pearson Longman, S. Pearson, Roberts Adlard, Telephone Rentals, Tootal, Warnford Investments, Thomas Warrington.

FUTURE DATES

Interims—

Akroyd and Smithers	May 11
Morland	May 21

Finals—

Barr and Wallace Arnold Trust	May 12
British Vending Industries	May 11
Coats Patons	May 13
Comfort Hotels International	May 14
Nineteen Twenty-Eight Inv. Tst.	May 15
Ovenstone Investments	May 8
Whitbread	May 19
Whittington Engineering	June 4

SECURITY CENTRES

Security Centres has bought Ark Alarms of Haydock, near St. Helen's, for £77,000. Profits of Ark in its last financial year to August 1980 were £18,000 before tax. In the first six months of the current year, profits increased to £22,000 before tax, a rate which Security Centres expect to maintain.

LAUGHTON BUYS

With the announcement that 1980 taxable profits were just ahead from £1.12m to £1.13m, Laughton and Sons says it has agreed to buy the haircare business of Newey Goodman — subsidiary of the Newey Group — for £819,280 cash.

The consideration, of which £305,000 has been paid, is for the goodwill, plant and machinery and outstanding order book — the balance will be payable in 12 annual instalments starting May 30.

Newey says that part of the sale proceeds will be used in due course to make an offer to the holders of 7¼ per cent debenture stock 1991/96.

The dividend is unchanged at 11p per 10p share with a same-again final payment of 5p. Net profits came through well up at £1.21m (£748,556) after a tax credit of £70,851 against a £370,924 charge.

CAUSTON PURCHASE

Sir Joseph Causton and Sons, as agreed when acquiring Hunkydory Designs, has paid a further £100,000—£50,750 in cash and the rest through issuing 174,850 ordinary shares—to Mr. Brian Shawcross, a director of Caustons and formerly the principal shareholder in Hunkydory. Mr. Shawcross now owns 175,850 ordinary shares in Caustons.

Bishopsgate property deal

Berkeley Hambro Property Company confirmed yesterday that it was selling a major freehold, 55,000 sq ft of offices at 55 Bishopsgate in the City of London.

Contracts were exchanged at an agreed sale price of £21.22m, compared with a December, 1980, balance sheet value of £19m and City estimates of £20m plus about a month ago. Berkeley Hambro is to receive the consideration wholly in cash.

The buyer is said to be a major UK institutional investor. Berkeley Hambro, which revalued its portfolio to a total of £61.3m last December 31, said yesterday that one property accounting for over a third of the portfolio was considered to be too large an investment.

It is intended to reinvest the net sale proceeds in a number of small properties, the company added.

SOUTH CROFTY

St. Piran Investments has purchased 226,950 shares (1.89 per cent) in South Crofty.

The total shareholding of Saint Piran and its wholly-owned subsidiary now amounts to 12,176,950 or 65.24 per cent.

NO PROBE

The proposed merger of Cape Gate Group and certain assets of Johnson and Firth Brown is not to be referred to the Monopolies Commission.

JATEL PURCHASE

Jatel announce it has agreed the purchase of 30,000 shares (2.3 per cent) of common stock, par value $1 per share, of Lazare Kaplan, the U.S. diamond polisher and cutter, for $483,750, satisfied in cash out of working capital.

Under the terms of the agreement, Jatel has undertaken to acquire further shares of common stock—30,000 shares on April 1, 1982, for $543,750 and 30,000 shares on April 1, 1983, for $603,750.

Before the agreement, Jatel was the beneficial owner of 51,100 (3.91 per cent) shares in Lazare. Its aggregate holding in Lazare is now 81,100 (6.21 per cent).

SPAIN

April 30	Price %	+ or −
Banco Bilbao	310	
Banco Central	259	
Banco Exterior	280	
Banco Hispano	315	
Banco Ind. Cat.	124	
Banco Santander	339	
Banco Urquijo	189	
Banco Vizcaya	327	
Banco Zaragoza	216	
Dragados	143	
Espanola Zinc	75	
Fecsa	63.5	
Gal. Preciados	30	
Hidrola	66.7	
Iberduero	57.5	
Petroleos	108.5	
Petroliber	88	
Sogefisa	81	
Telefonica	61.5	
Union Elect.	67	

UK COMPANY NEWS

ST. PIRAN AFFAIR

Panel calling for a Monopolies referral

BY ALAN FRIEDMAN

THE Takeover Panel yesterday called for a referral to the Monopolies Commission of the controversial bid by Mr. Jim Raper's Gasco Investments for St. Piran, the tin-mining and property group.

Mr. Graham Walsh, director general of the Takeover Panel, said yesterday the Panel would "clearly welcome a Monopolies Commission reference." This would provide shareholders with time to consider which avenues to explore, he said.

Meanwhile, it was learned that three St. Piran directors have written to shareholders criticising the Gasco bid offer.

One option for shareholders, explained Mr. Walsh, would be a petition in a court of law for the wind-up of St. Piran. Mr. Walsh said he favoured such legal action provided there were prospects of reaching "a satisfactory conclusion."

Speaking in his capacity as an adviser to the Council for the Securities Industry (CSI), he said he also favoured some financial help by the CSI for a shareholders' petition, again provided a solution was in sight.

But without a reference to the Monopolies Commission, there would be "no prospect of doing anything" according to Mr. Walsh. This was because Gasco's holdings in St. Piran might well have reached 80 to 90 per cent by the time the matter reached court.

"Shareholders are facing a pistol at the head," said Mr. Walsh. "The facts have been exposed and no action has been taken," he added.

Mr. Walsh concluded that the issue of a reference to the Monopolies Commission was one of "public interest in the broadest terms."

Meanwhile, Mr. Bruce Fireman, a director of Charterhouse Japhet, said he met with officials of the Office of Fair Trading last Friday to discuss the Gasco bid on behalf of three "independent" directors of St. Piran. Mr. Fireman said yesterday he was given to understand that neither competition nor employment were likely to be issues of concern leading to any possible reference to the Monopolies Commission.

Mr. Fireman also confirmed that the three independent directors of St. Piran had written a letter to shareholders saying that Gasco's latest 60p offer did not adequately reflect the value of St. Piran shares. But the letter has not yet been posted because of a procedural delay.

Another letter to shareholders will be posted later this week and will lay out the choices available to shareholders, added Mr. Fireman.

UNIGATE FINANCE CHIEF RESIGNS

Another high level resignation from Unigate was revealed yesterday with the departure of Mr. Jim Cook, the director of finance. Mr. Cook, who had served in the post since last summer, had not been a member of the board of the company. He had been with Unigate 11 years.

Mr. Daniel Hodgson, formerly corporate treasurer for Unigate, is to succeed Mr. Cook and will have a board seat.

Mr. Cook's departure follows the resignation last August of Mr. John Read, joint chief executive of Unigate. The parting of the ways last year was described by the company as "amicable."

ICT PLACING

Tring Hall Securities has placed privately 350,000 shares of International Communications Technology Holdings, 65 per cent of those issued, at $6 a share, payable as to $3 immediately and $3 in six months.

The Luxembourg based company is developing a device for monitoring telephone calls.

STC starts with good order book

THE current year has started with a good order book at Standard Telephones and Cables and, sustained by its investment programmes, continued growth is anticipated, Sir Kenneth Corfield, chairman, tells members in his annual review.

He adds, however, that growth will be constrained by the general level of economic activity to a lower rate than in 1980.

Future capital expenditure totalled £6.48m, against £4.33m, at December 31 last, of which £3.87m (£2.5m) had been authorised but not contracted for.

Pre-tax profits advanced from £33.43m to £44.1m for 1980, as reported on March 21, and the dividend is stepped up to 10p (8p) net per share with a final of 6p (same).

Balance sheet shows shareholders' funds of £162.7m (£144m), net current assets of £118.7m (£110.6m), and long-term loans, down from £36.72m to £30.99m.

The ultimate holding company is International Telephone and Telegraph Corp. of the U.S.

Meeting, 20 Aldermanbury, EC, on May 21 at noon.

Sharp reverse for Belgrave (Blackheath)

The West Midlands-based forging and machining group Belgrave (Blackheath) plunged to a pre-tax loss of £71,005 from a profit of £92,169 for the year to the end of January, 1981. Turnover fell from £3.82m to £3.32m.

At halfway, the group had incurred losses of £66,694, compared with profits of £26,704 previously.

No dividend is to be paid for the year compared with a net payment of 1.5p for 1979.

After tax of £92,089 (£15,707) and an extraordinary debit of £67,864 (nil), the loss per 25p share emerged at 3.6p, compared with earnings last time of 2.1p.

FT Share Service

The following securities have been added to the Share Information Service:—

British Aerospace (Section: Industrials).

Liberty Life Association of Africa (Insurance).

Stone-Platt has adequate finance

WITH ITS new banking facilities and new share capital the troubled Stone-Platt Industries has adequate finance available for foreseeable needs, says Mr. Leslie Pincott, the chairman.

Despite heavy losses on its textile machinery side last year the group spent £4.4m on essential replacements and plans to upgrade machine tools and production methods in the immediate years ahead, he says in his annual report.

At the end of 1980 the group's planned capital spending was £0.7m, against £3m a year earlier, of which £0.1m (£0.8m) had been authorised but not committed.

When the reorganisation of the group, which is a major world supplier of textile machinery, is complete it will have ongoing business of only three instead of five divisions. Also it will have 27 instead of 52 plants and the workforce will have been cut from 13,000 to 8,000. Even so group sales in 1981 should still be around two-thirds of the 1980 level of some £193m, the directors explain.

As a result of the financial restructuring announced last month Equity Capital for Industry holds 19.5 per cent and Finance for Industry 9.75 per cent of the company's enlarged equity.

The accounts indicate that had the changes been effective at the end of 1980 the balance sheet at that date would have shown shareholders' funds down from £55m to £49.5m instead of the audited figure of £40m. Debentures and other borrowings reported at £33.8m (£36.9m) would have been down at £21.7m and overdrafts and short-term loans of £1.8m (£3m) at £1.4m.

As reported April 30, for 1980 the taxable loss at Stone-Platt soared from £2.9m to £5.5m mainly because of losses at Platt Saco Lowell in Lancashire, and high interest costs. Only an interim dividend of 0.1p was paid, compared with 2p total for 1979.

At year end funds showed an inflow of £3.5m (£15.6m outflow).

The pay of the highest paid director was £45,680, against £50,675.

Meeting, The Royal Aeronautical Society, W, May 27 at 2.30 pm.

Liberty halves payment

Difficult retail trading conditions in the UK and the rest of the EEC reduced the taxable profits of Liberty and Co. from £497,000 to £74,000 for the year to the end of January, 1981. But the group had recovered from a half-year pre-tax loss of £438,000 (profit £204,000).

Turnover was down from £22.65m to £20.91m and after current cost adjustments, the group, which deals in carpets and fabrics, returned a pre-tax loss of £576,000.

The dividend is halved to 1.7p (3.4p) net per share, with a final payment cut from 2.6p to 1.3p.

The company's converting and wholesaling division showed improved trading profits of £389,000 (£217,000) but the retail side suffered a sharp fall to £44,000 (£628,000) in the UK and a trading loss of £131,000 (profit £50,000) in the rest of the EEC.

The directors, however, believe the performance of the group's UK branch gives some encouragement for the future.

The loss per 25p share emerged at 0.31p, compared with earnings last time of 0.10p.

Dividend payments of £176,000 (£239,000) were met by a transfer from reserves of £124,000 (£166,000).

The directors report the group is committed to capital expenditure of £2.3m (£3.1m) including the cost of refurbshing Liberty House, London, at a cost of £1.8m.

VIKING RESOURCES

The board of Viking Resources Trust has announced that the company's $2.5m multi-currency loan facility with the Royal Bank of Scotland was repaid on April 28 and refinanced by a similar facility for a period of five years, shown initially in the sum of $1,153,412.

Mining round-up

Lower net profits reported for the March quarter by the South African base metal and coal producers in the Consolidated Gold Fields group include a fall to R5.85m (£3.33m) from R11.7m in the previous three months at the Black Mountain lead-zinc-copper mine in the north-west Cape where the group is partnered by Phelps Dodge. While the mine's production increased in the last quarter, its sales of lead and zinc fell. Those of copper increased, but reduced prices would have been received for all three metals.

* * *

Good progress is being made with the R200m (£114m) No. 3 shaft at the Cooke section of South Africa's gold and uranium producing Randfontein Estates. At the Johannesburg meeting the chairman said that the new shaft could start commissioning ahead of schedule by 1984 with full capacity at the Cooke No. 3 section of the mine being reached by 1986.

* * *

Drilling at deeper levels at the former Big Bell gold mine on Western Australia's Murchison gold field has turned up more encouraging grades, according to the latest quarterly report from Australian Consolidated Minerals, which has a 50 per cent interest.

Two holes have intersected ore grading 4.8 grammes of gold per tonne at a depth of just over 1,000 metres, more than 300 metres deeper than any previous intersections on the main lode.

The other interests in the joint venture to reopen Big Bell are held by Nickelore, 30 per cent, and Metals Exploration with 20 per cent.

* * *

Portugal has decided to end the State monopoly on uranium exploration and mining, and allow private companies to take part, according to Mr. Alcides Pereira, director general of mines.

Private companies will be allowed to undertake prospecting operations, and take stakes of up to 49 per cent in mining joint ventures with the State-owned National Uranium Company.

Portugal's current production is about 30 tones of uranium a year, and the country aims to quadruple this by 1985.

* * *

Zambia has stepped up the search for uranium, issuing new exploration contracts and increasing the acreage. Contracts were renewed with Saarberg Interplan of West Germany and and Agip of Italy, and a new contract was signed with the French Compagnie Generale des Matieres Nucleaires (Cogema). Reports suggest that the Agip-Cogema acreage was tripled to 5,200 square miles.

* * *

Two French concerns, Compagnie Francaise des Petroles (Total) and the State-controlled Bureau des Recherches Geologiques et Minieres (BRGM), have signed a mineral exploration agreement with the Sudanese Government.

Sudanese Mining Corporation will have 60 per cent of a consortium exploring in the Red Sea Hills province in the north-east of the country. CFP's stake will be 30 per cent, and BRGM will take 10 per cent.

CORAL INDEX

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INTERNATIONAL CAPITAL MARKETS

CREDITS

BY PETER MONTAGNON

Comecon catches a cold from Poland

POLAND'S rescheduling agreement with its leading Western creditor governments has done little to improve the outlook for commercial bank lending to the Comecon block.

Distinct caution prevails in the banking community towards all Eastern European borrowers with the possible exception of Hungary. It is unlikely to improve before Poland can reach a separate rescheduling agreement with the banks which will take time.

Any deals being done are small and short-term. For example, East Germany's Intrac trading concern has recently arranged a $50m, two-year facility with a margin of ⅝ per cent and the Soviet Union's foreign trade bank a $25m, theree-year loan with a margin of ½ per cent.

The presence of some large U.S. banks in the second transaction probably reflects that it is in support of exports to the USSR by Caterpillar Tractor, a U.S. company.

But some bankers doubt that the leverage of a U.S. exporter will be sufficient to get another deal off the ground, namely a major borrowing by Romania to finance turbines due to be supplied for a nuclear power project by General Electric.

Manufacturers Hanover is co-ordinating discussions on this credit for which amount and terms are still open. While some banks are keen to maintain uninterrupted relations with Eastern European borrowers, most admit it would be difficult to sell this loan if its size indicated the need for widespread syndication.

Resistance at the smaller participant level is also besetting some major loans for Western European borrowers which are raising money on very fine terms. Loans for Portugal ($500m), Greece ($350m) and the Spanish state holding company INI ($350m) are apparently affected though not to the point of jeopardising the deals.

Bankers are watching to see how the eventual managers of a forthcoming $200m credit for the Spanish state financing concern ICO will respond to this situation.

Indications at the end of last week were that ICO will target the operation towards the Far and Middle Eastern banking markets in an attempt to develop a new source of funds.

Sources in Tokyo said that the Ministry of Finance has approved a 50 per cent participation by Japanese banks in this credit while it is understood that other Asian and Arab institutions will also figure in the lead management group.

Geographic diversification of its borrowing is also being tested by Sweden with the $500m credit announced 10 days ago through Chase Manhattan.

This credit is targeted to U.S. regional banks and Chase announced at the end of last week that it is already substantially oversubscribed.

In Latin America, meanwhile, Venezuela has finally stated publicly that it does not plan a $2bn-$3bn jumbo credit which has been rumoured in the markets for some months.

Instead the republic may launch a smaller credit for about $1bn once it receives the appropriate congressional authorisation.

Banks are preparing offers for it. A meeting of more than 20 banks in London last Thursday agreed that Societe Generale and Chemical Bank would act as co-agents in any offer that was eventually made. Citibank, which co-ordinated the talks, would take a less prominent role.

Part of the proceeds of any major Venezuelan loan would help refinance a portion of the country's $10bn short-term debt. State agencies continue to borrow heavily for periods of about one year with effective margins in some cases exceeding ⅞ per cent.

This is in stark contrast to other Latin American borrowers such as Chile, whose state agency Endesa is paying only ⅞ per cent for an eight-year $86m credit being raised through Lloyds Bank International as agent. Canadian Imperial Bank of Commerce and Industrial Bank of Japan.

In other news Liberia is seeking to refinance $113m in commercial bank debt, which represents almost all its borrowings from international banks.

A steering committee of banks handling the talks comprises Chase Manhattan, Chemical, Citibank, DG Bank and Taiyo Kobe.

Thailand credit, Page 24

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡§CSWI Intl. Fin. NV	15	1996	15	9	100	Shearson Loeb Rhodes, Kleinwort Benson	9.000
††Mer. Lynch O. Cap. NV	100	1987	6	—	99½	Merrill Lynch	—
†Oester. Kontrbk.	75	1986	5	5¼	100	EBC, Orion	5.319
§Nippon Kokan KK	100	1996	15	6¾	100	Yamaichi Secs., Nomura Secs.	6.750
§Wang Laboratories NV	50	1996	15	8¾-9	100	Merrill Lynch	*
§Gillette Ov. Fin. NV	50	1996	15	8¼-½	100	CSFB	*
§Hexcel	12	1996	15	8¾-9	100	Merrill Lynch, Schroder Wagg	*
‡††Venezuela	100	1986	5	15⅞	100	Salomon Bros.	16.235
§Fujitsu	80	1996	15	6	100	Nikko Secs., Kleinwort Benson	*
‡††New Brunswick Electric Power Commission	100	1991	10	15	97½	First Boston	16.046
D-MARKS							
‡World Bank	150	1991	10	10	99¾	Deutsche Bank	10.041
‡**Svenska Handelsbanken	60	1987	6½	10¼	99½	Commerzbank	10.232
‡**Eurofima	50	1989	8	10	99¾	BHF	10.047
SWISS FRANCS							
‡Japan Devel. Bank	100	1991	—	6¾	100	SBC	6.750
‡VEAS	30	1991	—	7¼	99½	Soditic	7.284
‡**§Aichi Machine Inds.	25	1986	—	4¾	100	SBC	4.750
New Zealand	100	1991	—	7	100	Credit Suisse	7.000
STERLING							
‡World Bank	100	1986	5	13½	99.486	Baring Brothers	13.648
GUILDERS							
**Euratom	150	1988	7	11½	99½	ABN, AmRo	11.663
YEN							
‡SNCF (g'teed France)	20bn	1993	10.3	8.2	99.15	Daiwa Secs.	8.486

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ◦ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. [Cancelled.
Note: Yields are calculated on AIBD basis.

INTERNATIONAL BONDS

BY FRANCIS GHILES

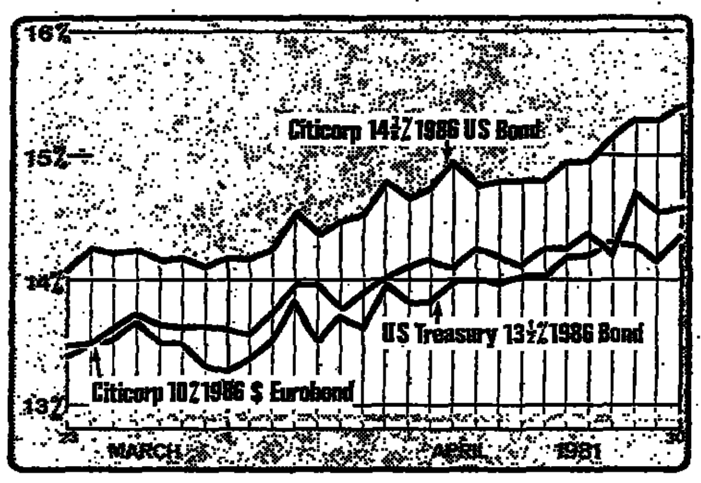
Mixed reception for convertibles

FIVE DOLLAR convertible Eurobonds were announced last week, a timely reminder that as long as equity markets perform well, fixed interest bonds are likely to remain out in the cold.

However, some stock markets are performing better than others and this is reflected in how new convertibles are received in the market. While the two convertible issues for Japanese names met with a good market reception, such was not really the case with convertibles for U.S. names. The $50m convertible for Gillette in particular met with some resistance and there was speculation in the market last Friday that the terms offered to investors would have to be improved.

Convertibles no longer hold the same attraction as they did last summer and autumn. Fairly generous terms are necessary to ensure good placing, even for well liked names. Thus the $20m convertible for CSWI the U.S. bank holding company based in Dallas was cut by a quarter before being priced at par.

Not a single new issue was announced in the fixed interest sector of the dollar market but two foreign bonds were launched in New York. The yield offered on the New Brunswick Electric Power Commission issue is 16.04 per cent, about 1¼ points higher than that available in the Eurobond secondary market for the same borrower's 9¾ per cent bonds due 1994.



Eurobond issues remain expensive for investors, compared with U.S. domestic bonds. The chart shows that some Eurodollar issues are trading at lower yields than U.S. Treasury bonds. This is not, however, encouraging many investors to indulge in massive swaps for two reasons. More than three quarters of all Eurobond portfolios are not actively managed and the Eurobond market remains very much a currency market.

Last week brought comfort to investors on this front as the dollar rose against most other currencies. Furthermore, with U.S. interest rates once again rising strongly, it seems unlikely that the dollar will weaken in the coming weeks.

There seems little chance that the yields on Eurodollar and U.S. domestic bonds will fall into line quickly. Retail interest in the dollar sector of the bond markets, which has been absent for many weeks, is only likely to revive if short-term U.S. dollar rates fall while the dollar remains strong in currency markets.

The DM 620m-DM 635m calendar of new issues announced in Frankfurt last week was greeted with a marked lack of enthusiasm in the German market. The list of borrowers is lack-lustre, the number of placements is much higher than usual, and such paper does not trade well in the secondary market.

However, the two issues launched last week, for Eurofima and Svenska Handelsbanken, were reasonably well received. Secondary market prices drifted about ½ per cent weaker, essentially as a result of the surge in U.S. interest rates.

The same phenomenon prompted a sharp fall in Swiss franc foreign bonds. The drop was about 1½ points on the week and was fuelled by a sharp rise in Swiss franc interest rates.

The flow of new issues has slowed down markedly and only one new public issue, for New Zealand, was announced.

French franc Eurobonds and dollar-denominated French names did not react to the result of the first round of the French presidential election.

U.S. BONDS

BY IAN HARGREAVES

Money supply figures shock markets

WATCHING THE New York credit markets last Friday evening when the Federal Reserve's weekly money supply numbers were published was like sitting beside a comatose hospital patient and seeing him suffer a heart-attack.

The $4.2bn rise in M1 B for the week to April 22 was much higher than the forecast being carried on the sheets of any of the major bond houses—some indeed were expecting a decline. In spite of the well-worn caveats about the dangers of over-reacting to weekly money supply numbers, the market ended the week in a state of shock.

The shock reveberated yesterday, driving the prime rate at several banks from 18 per cent to 19 per cent and three-month certificates of deposit to around 17.75 per cent, close to its high point for the year. The prime could rise further this week, depending on how the Fed behaves and how hard the bond market struggle to absorb the three-day Treasury refunding which begins today.

Friday will also be a crucial day, with another week's money supply figures and Government figures on producer prices and unemployment for April.

Last week was a bad one not so much because it again produced record yields for utility and Treasury bonds, nor even that it arguably produced evidence of a very fierce tightening operation by the Fed, but because the market proved conclusively that it has discounted the possibility of at least short-term market solace from the successful passage of the Reagan spending cuts, which now seems pretty well assured. Not even the sight of the President himself back on Capitol Hill helped.

The market last week might also have taken some comfort from the announcement of this week's Treasury funding, whose goal of raising $2.1bn in new cash is a good deal more modest than man yhad feared.

The main reason the market is inconsolable it is inability to make a confident judgment about the Fed's strategy. Everyone now agrees that the Fed is one month into a major tightening exercise, but some are beginning to feel that the market has gone too far in its reaction.

"The Fed has firmed aggressively, but it has probably not tightened to quite the degree that the Federal funds rate and the $2bn net borrowed reserve level suggest," says the Chase Manhatten money market team.

Chase, therefore, looks for a brief raly, but belonging to the pessimistic school about the inflationary impact of the Reagan programme, it does not see such a rally being sustained.

The reason the market finds it so hard to read the Fed is the belief that more than at any time under the chairmanship of Mr. Paul Volcker, the central bank is now pursuing a nakedly monetarist reserve management strategy, rather than such a policy balanced by conventional interest rate management.

In effect, the Fed appears to no longer have any meaningful target range for Fed funds.

What is certain is that money supply growth at the M1 B level is pushing beyond the desired limits of growth and that until there is a sustained trend of healthier numbers, the markets will remain tight.

U.S. INTEREST RATES (%)

	Week to May 1	Week to April 24
Fed Funds weekly average	18.33	15.78
3-month CDs	15.00	14.00
1-month Treas. Bill	13.30	13.50
Treas. 30-year bond	13.66	13.23
Long-trm. AAA utility	16.13	15.63
Long-trm. AA indus.	15.00	14.66

Source: Salomon Bros. estimates.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15¾ 86 (WW)	56	99	99½	−0½	−0⅞	15.45
Amoco 13¾ 88	75	92½	93	−0¼	−0⅛	14.99
CIBC 14½ 84	185	98	98½	−0¼	−0⅜	15.25
CNE 13¾ 91	100	88⅜	88⅞	−0⅛	−1⅛	15.01
Citicorp O/S Fin 10 86	300	82	82½	−0½	−1⅛	15.17
Citicorp O/S Fin. 12 87	200	86½	87	−0½	−2¼	15.32
Con. Illinois O/S 9¾ 85	150	81	81½	−0½	−1	15.22
Dupont Canada 13½ 91	65	91⅜	91⅞	−0½	−1⅛	15.16
EEC 11 95 (May)	75	78	78½	−0⅜	−2	14.74
EEC 11 95 (August)	70	75¼	77	−0¼	−2⅛	15.10
EIB 12¾ 89	75	88¾	89¼	+0⅛	−1⅛	15.22
Eldorado 13¾ 86	50	93⅜	93⅞	−0⅛	−0⅛	15.16
Elec. de France 10 88	125	78	78½	−0⅜	−1⅛	15.16
Elec. de France 13 88	125	91⅞	92⅜	−0¼	−0⅞	14.89
Export Dv. Cpn. 9½ 86	150	81⅛	91⅜	−0⅛	−0⅜	15.25
Fed. Bs. D. 12¾ 85 (N)	60	90⅝	91⅛	−0⅛	−0⅞	15.06
Fin. Exp. Credit 10½ 85	60	84	84½	−0½	−0⅜	15.92
Finland, Rep. of 9½ 86	100	80¼	80⅜	−0¼	−0⅞	15.46
Ford Credit O/S 14⅞ 83	150	96⅛	96⅝	−0⅛	−0⅜	16.32
Ford Cr. O/S Fin. 16 84	150	99½	99⅝	0	0	16.20
Gaz de France 13½ 86	80	95	95½	−0¼	−1⅛	14.92
GMAC O/S Fin. 12 87	100	86⅛	86¾	−0⅜	−1⅛	15.41
GMAC O/S Fin. 12⅞ 88	100	89¼	89¾	−0⅜	−0⅞	15.45
Gen. Mtrs. O/S 11⅜ 87	100	85½	86	−0½	−1⅛	15.33
Genstar 14¾ 91	50	97	97½	−0⅜	−0⅜	15.30
GTE Fin. 13⅜ 86 (WW)	50	95⅛	95⅜	−0½	−1¾	15.09
Hudson's Bay 11½ 90	75	81	81½	−0½	−1⅛	15.45
IBM Wld. Trade 12⅞ 88	200	92½	93	−0⅛	−0⅞	14.20
Newfoundland 13½ 90	60	90⅞	91⅜	−0⅛	−1⅛	15.37
Nova Scotia 10¾ 90	50	79	79½	−0⅜	−0⅞	15.03
OKB 10 85	50	84½	85	−0⅛	−0⅞	15.72
Ontario Hydro 13½ 91	100	91¼	91¾	−0⅜	−1⅛	15.19
Quebec Hydro 11½ 92	100	80	80½	−0⅛	−1	15.28
Queb. Hy. 13 91 (WW)	100	88	88½	−0⅜	−2⅛	15.37
Rovlease 11¼ 85	50	88⅛	88⅝	+0⅛	−0⅜	15.22
SNCF 12¾ 85	50	92⅜	93⅛	−0⅛	−0⅜	14.79
SNCF 13 91	75	90⅞	91⅜	0	−0⅞	14.74
Sth. California Ed. 14 87	50	96	96½	−0¼	−0⅜	14.98
Sven Handelsbk. 13¾ 88	46	93¼	93¾	−0¼	−0⅞	15.32
Sweden 12¾ 85	150	90⅛	90⅝	−0⅛	−1½	15.50
Swed. Ex. Credit 12 83	50	93	93½	−0¼	−0¼	15.44
Swed. Ex. Credit 13 86	75	90⅞	91⅜	−0½	−0⅞	15.75
Tribune O/S Fin. 14 86	50	95⅛	95⅝	−0¼	−0⅞	15.22
World Bank 9¾ 85	200	84⅛	84⅝	−0⅛	−1½	15.09
World Bank 10¼ 87	300	81½	82	−0⅜	−1⅛	14.99

Average price changes... On day −0⅛ on week −1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¾ 90	100	*89⅝	90⅜	0	−0⅜	10.04
Australia 8¾ 90	250	*95½	96	−0⅛	+0¼	8.85
Austria, Rep. of 8¼ 92	150	*89	89½	−0⅛	0	9.82
CECA 7⅞ 92	150	*87½	88¼	−0⅛	−0⅛	9.67
CECA 10 91	120	*101⅞	102⅜	+0⅛	−0⅛	9.63
Cll-Honeywell 8½ 90	125	*90⅛	91⅛	−0⅛	+0⅛	9.94
EIB 8½ 90	200	*90⅛	91⅛	−0⅛	−0⅛	10.04
EIB 10½ 91	200	*101⅞	102⅜	−0⅛	−0⅛	10.12
ESCOM 9¾ 87	100	*93¼	94	−0⅛	−0⅛	10.63
Iberduero SA 9 90	100	*94⅛	95⅛	−0⅛	−0⅛	9.88
Ind. Bk. Finland 8½ 90	50	*89⅝	90⅜	+0⅛	0	10.22
Int.-Amr. Dv. Bk. 10 91	100	*99	99½	0	−0⅛	10.09
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... [illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	779.0	1,942.5
Previous week	1,185.2	2,521.3
Other bonds		
Last week	188.7	273.0
Previous week	402.8	261.1

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on May 1

CURRENCIES, MONEY and GOLD

What a difference a year makes

BY COLIN MILLHAM

About a year ago Bank of England Minimum Lending Rate stood at 17 per cent, an dthree-month Eurosterling was 17¼ per cent, compared with 11¾ per cent for three-month Eurodollars. The U.S. Federal funds overnight rate moved within a general range of 10-12 per cent, and the sterling/dollar cross rate was around $2.28. At hte same time three-month Euromarks were quoted at 9¾ per cent, an dthe D-mark/dollar rate was DM 1.79.

Interest rates and exchange rates are now very different, but so far this does not seem to have affected sentiment in the London money market very much. Eurosterling and Eurodollars have almost completely changed places, with three-month sterling at 12¼ per cent, and three-month dollars at 17¼ per cent, while the sterling/dollar exchange rate has fallen by about 14 cents. Over the same period the dollar has also risen against the D-mark, to DM 2.21, leading to a sharp increase in German interest rates.

There is now little difference between Eurosterling and Euromark rates, in fact the three-month rates were both quoted at 12¼-12⅜ per cent on the last day of April. The reasons bringing them together have been very different however. London interest rates have been allowed to fall from very high levels, but the original rise to 17 per cent in MLR on November 15, 1979 was not because sterling was weak, but was the result of an alarming growth in the money supply.

On the other hand the rise in German rates, despite relatively low inflation, was partly because of Germany's large balance of payments deficit, and also because investors were increasingly attracted by high interest rates. This acted very much to the detriment of the D-mark and other low inflation, low interest rate currencies such as the Belgian franc.

Funds were attracted to New York, London and Paris, helping to keep the French franc firm at the top of the European Monetary System, but this has changed somewhat since the rise in German rates.

London has been relatively immune to the sharp changes in world interest rates, with all eyes focused o npurely domestic factors. Whether this will remain the case, given the sharp differential in favour of New York is another matter. Further falls in MLR are still expected, with Lloyds Bank recently forecasting 9 per cent by the end of the year. If this proves correct, the section of British industry calling for a fall in the value of the pound may soon be satisfied.

CURRENCY RATES

May 1	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.559611	N/A
U.S. $	13	1.19768	"
Canadian $	17.60	1.43243	"
Austria Sch.	6¾	(U)	"
Belgium F	14	"	"
Danish K	11	8.35861	"
D mark	7½	(U)	"
Guilder	9	2.94989	"
French Fr.	9½	(U)	"
Lira	19	"	"
Yen	6¼	260.016	"
Norwgn. Kr.	9	(U)	"
Spanish Pts.	8	"	"
Swedish Kr.	12	"	"
Swiss Fr.	4	"	"
Greek Dr'ch.	20½	—	"

GOLD

	May 1		April 30	
Gold Bullion (fine ounce)				
Close	$488-491	(£228¼-230)	$480½-483½	(£224¼-225¾)
Opening	$484-487	(£226½-228)	$477-480	(£222¾-224½)
Morning fixing	$484.75	(£226.254)	$481.00	(£224.798)
Afternoon fixing	$487.50	(£227.273)	$482.75	(£224.901)
Gold Coins				
Krugerrand	$502½-505½	(£234½-236)	$495-496	(£231-231½)
1/2 Krugerrand	$259½-260½	(£121¼-121½)	$255½-256½	(£119¼-119¾)
1/4 Krugerand	$132¼-133¼	(£61¾-62¼)	$130¼-131¼	(£60¾-61¼)
1/10 Krugerrand	$54-55	(£25¼-25¾)	$53¼-54¼	(£24¾-25¼)
Mapleleaf	$498½-499½	(£232¾-233¼)	$491-492	(£229-229½)
New Sovereigns	$122¼-123¼	(£57-57½)	$120½-121½	(£56¼-56¾)
King Sovereigns	$136½-138½	(£63½-64½)	$137-139	(£64-65)
Victoria Sovs	$136½-138½	(£63½-64½)	$137-139	(£64-65)
French 20s	$184-187	(£86-87½)	$183½-186½	(£85¾-87)
50 pesos Mexico	$593-597	(£276¼-278¼)	$597-601	(£278½-280½)
100 Cor. Austria	$461-466	(£214¾-217¼)	$465-469	(£217-218¾)
$20 Eagles	$583-588	(£271¾-274)	$583-588	(£272-274½)

OTHER CURRENCIES

May 1	£	$		£ Note Rates
Argentina Peso	6763-6783	3160-3180	Austria	33.30-33.65
Australia Dollar	1.8610-1.8640	0.8702-0.8706	Belgium	79.00-79.60
Brazil Cruzeiro	173.16-174.16	80.95-81.35	Denmark	14.85-15.00
Finland Markka	9.03-9.06	4.2050-4.2090	France	11.21-11.39
Greek Drachma	115.872-116.565	53.80-53.90	Germany	4.73½-4.77
Hong Kong Dollar	11.50-11.52	5.3720-5.3750	Italy	2310-2370
Iran Rial	164.20*	76.65*	Japan	462-468
Kuwait Dinar(KD)	0.588-0.594	0.27580-0.27650	Netherlands	5.25-5.29
Luxembourg Frc.	76.85-77.00	35.86-35.88	Norway	11.81-11.91
Malaysia Dollar	4.96-4.97	2.3150-2.3200	Portugal	124-132
New Zealand Dlr	2.3825-2.3855	1.1136-1.1148	Spain	186¼-197
Saudi Arab. Riyal	7.16-7.22	3.3590-3.3620	Sweden	10.17-10.27
Singapore Dollar	4.53½-4.54½	2.1175-2.1225	Switzerland	4.31½-4.35½
Sth African Rand	1.7585-1.7600	0.8203-0.8209	United States	2.13¼-2.14¾
U.A.E. Dirham	7.83-7.89	3.6720-3.6740	Yugoslavia	76-80

Rate given for Argentina is free rate. * Selling rate.

THE POUND SPOT AND FORWARD

May 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1360-2.1460	2.1435-2.1445	0.90-1.00c dis	−5.32	2.70-2.80dis	−5.13
Canada	2.5575-2.5670	2.5630-2.5650	1.10-1.20c dis	−5.38	3.20-3.40dis	−5.15
Nethlnd.	5.24-5.29½	5.24-5.25½	1¼-¾c pm	1.72	1½-½ pm	0.76
Belgium	76.85-77.35	76.85-77.00	25-35c dis	−4.68	80-95 dis	−4.55
Denmark	14.88-14.97	14.88-14.90	par-1¼ore dis	−0.71	7¼-8¾ dis	−2.28
Ireland	1.2820-1.2880	1.2820-1.2835	0.24-0.37p dis	−2.83	1.11-1.26dis	−3.67
W. Ger	4.71½-4.74½	4.72½-4.73½	½pf pm-⅛ dis	0.32	⅛-⅝ dis	−0.32
Portugal	126.50-127.40	127.00-127.40	30c pm-35 dis	−0.24	85-235 dis	−5.03
Spain	190.00-191.00	190.65-190.95	80-115c dis	−6.13	290-335 dis	−6.55
Italy	2,345-2,361	2,347-2,352	13½-15½ lire dis	−7.41	40½-43½ dis	−7.15
Norway	*11.80-11.90*	*11.85-11.90*	*1¼ore pm-⅛ dis*	*0.76*	*3¼-½ pm*	*0.63*
France	11.23-11.28	11.23-11.24½	⅞-1⅝c dis	−1.20	5-6 dis	−1.96
Sweden	10.13-10.20	10.16-10.21	N/A	—	N/A	—
Japan	460-464	462-463	2.60-2.35y pm	6.42	6.00-5.65 pm	5.04
Austria	33.40-33.58	33.50-33.58	1gro pm-3 dis	−0.36	5 pm-4 dis	0.06
Switz	4.31-4.35	4.32-4.35	2-1c pm	2.08	4-3 pm	3.23

Belgian rate is for convertible francs. Financial franc 79.50-79.60. Six-month forward dollar 4.90-5.00c dis, 12-month 8.00-8.20c dis.

THE DOLLAR SPOT AND FORWARD

May 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1360-2.1460	2.1435-2.1445	0.90-1.00c dis	−5.32	2.70-2.80dis	−5.13
Ireland†	1.6490-1.6620	1.6590-1.6620	0.30-0.40c dis	−2.54	0.55-0.65dis	−1.45
Canada	1.1972-1.1978	1.1972-1.1977	par-0.5c dis	−2.50	0.03-0.08dis	−0.18
Nethlnd.	2.4450-2.4625	2.4450-2.4500	1.65-1.45c pm	7.56	3.80-3.60 pm	6.02
Belgium	35.86-36.05	35.86-35.88	4c pm-1 dis	0.50	1 pm-4 dis	−0.17
Denmark	6.9700-6.9900	6.9700-6.9715	2.30-1.80ore pm	3.52	4.75-4.25 pm	2.58
W. Ger.	2.2015-2.2200	2.2050-2.2060	1.11-1.04pf pm	5.85	2.80-2.70 pm	4.99
Portugal	59.25-59.80	59.25-59.40	15c pm-15 dis	—	40 pm-35dis	−0.17
Spain	89.10-89.20	89.10-89.20	5-15c dis	−1.35	15-35 dis	−1.12
Italy	1,095-1,101	1,095-1,099	1.50-2.25 lire dis	−2.05	5.25-6.50dis	−2.14
Norway	*5.5300-5.5670*	*5.5520-5.5570*	*3.25-2.25ore pm*	*5.95*	*8.50-7.50 pm*	*5.05*
France	5.2300-5.2560	5.2300-5.2400	1.90-1.70c pm	4.11	4.30-4.00 pm	3.15
Sweden	4.7400-4.7700	4.7650-4.7680	N/A	—	N/A	—
Japan	215.45-216.80	215.65-215.75	2.20-2.05y pm	11.82	5.50-5.30 pm	10.01
Austria	15.58½-15.68	15.66-15.66½	7.30-6.00gro pm	5.09	20.50-17.00pm	4.79
Switz.	2.0120-2.0285	2.0165-2.0175	1.67-1.57c pm	9.84	4.20-4.10 pm	8.23

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

May 1	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	12⅛-12⅜	17¾-18	16⅛-17⅛	9¹⁵⁄₁₆-10⅛	7⅛-8	11⅝-11⅝	12¼-13	19-21	16-18	6-6⅛
7 days' notice	12¼-12⅛	17⅞-18⅛	16⅛-17⅛	10¼-10½	7½-8	11¾-12	14-14½	20-22	16-18	6⅛-6¾
Month	12½-12⅝	17¾-18	17⅛-17¾	10⅛-11	9-9¼	12⅛-12⅜	14¼-14¾	19½-20½	16½-17	6¾-7
Three months	12⅛-12⅝	17½-17¾	17¼-17⅝	11¼-11½	9⅛-9⅞	12⅝-12¾	14½-15	19½-20½	16¾-17¼	7⅛-7⅜
Six months	12⅜-12⅝	17⅝-17⅝	17¼-17⅝	11⅝-11⅞	9⅛-9⅞	12⅛-12⅜	14⅝-15	19½-20½	16¾-17¼	7¾-8
One Year	12⅝-12¾	16⅞-17⅛	16¾-17⅛	11⅝-11⅞	8⅞-9	12⅛-12⅜	14½-15	19½-20½	15½-16	8-8¼

SDR linked deposits: one-month 13²³⁄₃₂-14⁵⁄₃₂ per cent; three-months 13¹⁹⁄₃₂-14⁵⁄₃₂ per cent; six-months 13²⁵⁄₃₂-14⁵⁄₃₂ per cent; one-year 13⅝-14⅛ per cent.

ECU linked deposits: one-month 13⅝-13⅞ per cent; three-months 13½-13⅞ per cent; six-months 13⁷⁄₁₆-13¹³⁄₁₆ per cent; one-year 13¼-13⅝ per cent.

Asian $ (closing rates in Singapore): one-month 17⅞-18 per cent; three-months 17½-17⅝ per cent; six-months 17½-17⅝ per cent; one-year 16¾-16⅞ per cent. Long-term Eurodollar two-years 16-16¼ per cent; three-years 15⅞-16⅛ per cent; four-years 16⅛-16¹⁵⁄₁₆ per cent; five-years 16¼-16¹⁵⁄₁₆ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 17.10-17.20 per cent; three-months 17.15-17.25 per cent; six-months 17.15-17.25 per cent; one-year 16.50-16.60 per cent.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on May 1, 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates; (exC) exchang certificate rate; (k) Scheduled Terrtory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

Place and local unit		Value of £ sterling
Afghanistan	Afghani	112.50
Albania	Lek	10.0987
Algeria	Dinar	8.9695
Andorra	French Franc	11.24
	Spanish Peseta	190.80
Angola	Kwanza	(CM) 66.23; (T) 68.55
Antigua (S)	E. Caribbean $	5.789
Argentina	Ar. Peso Free Rate	5,773.0
Australia (S)	Australian $	1.8630
Austria	Schilling	33.54
Azores	Portugu'se Escudo	127.20
Bahamas (S)	Ba. Dollar	2.1440
Bahrain (S)	Dinar	0.806
Balearic Isles	*Spa. Peseta*	*190.80*
Bangladesh (S)	Taka	37.50
Barbados (S)	Babados $††	4.288
Belgium	B. Franc	(cm) 76.925; (fn) 79.55
Belize	B $	4.288
Benin	C.F.A. Franc	561.88
Bermuda (S)	Bda $	2.1440
Bhutan	Indian Rupee	17.68
Bolivia	Bolivian Peso	52.500
Botswana (S)	Pula	1.7190
Brazil	Cruzeiro ‡‡	175.66
Brit. Virgin Isles (S)	U.S. $	2.1440
Brunei (S)	Brunei $	4.54
Bulgaria	Lev	2.05
Burma	Kyat	14.232
Burundi	Burundi Franc	194.18
CameroonRepublic	*C.F.A. Franc*	*561.88*
Canada	Canadian $	2.5650
Canary Islands	Spanish Peseta	190.80
Cape Verde Isle	Cape V. Escudo	79.50
Cayman Islands (S)	Cay. Is. $	1.787
Cent. Af. Repub.	C.F.A. Franc	561.88
Chad	C.F.A. Franc	561.88
Chile	C. Peso	(Bk) 83.46
China	Renminbi Yuan	3.6269
Colombia	C. Peso	(F) 117.68
Comoro Islands	C.F.A. Franc	561.88
Congo (Brazaville)	C.F.A. Franc	561.88
Costa Rica	Colon	35.82
Cuba	Cuban Peso	1.5654
Cyprus (S)	Cyprus £	0.8680
Czechoslovakia	Koruna	(com) 12.65; n/c 22.03; (T) 21.35
Denmark	Danish Krone	14.89
Djibouti	Fr.	360 (sg)
Dominica (S)	E. Caribbean $	5.789
Dominican Repub.	Dominican Peso	2.1440
Ecuador	Sucre	(O) 53.44; (F) 54.56
Egypt	Egyptian £	(U) 1.50
Equatorial Guinea	Ekuele	381.6
Ethiopia	Ethiopian Birr	(P) 4.3750
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	14.89
Fiji Islands	Fiji $	1.7865
Finland	Markka	9.045
France	French Franc	11.24
FrenchC'tyin Af*	C.F.A. Franc	561.88
French Guiana	*Local Franc*	*11.24*
French Pacific Is.	C.F.P. Franc	190 (sg)
Gabon	C.F.A. Franc	561.88
Gambia (S)	Dalasi	3.999
Germany (East)	Ostmark	4.7300
Germany (West)	Deutsche Mark	4.7300
Ghana (S)	Cedi	5.97
Gibraltar (K)	Gibraltar £	1.0
Greece	*Drachma*	*115.12*
Greenland	Danish Kröner	14.89
Grenada (S)	E. Caribbean $	5.789
Guadaloupe	Local Franc	11.24
Guam	U.S. $	2.1440
Guatemala	Quetzal	2.1440
Guinea Republic	Syli	44.06
Guinea Bissau	Peso	78.530
Guyana (S)	Guyanese $	5.4672
Haiti	Gourd	10.72
Honduras Repub.	Lempira	4.30
Hong Kong (S)	H.K. $	11.51
Hungary	Forint	(com) 73.6184; (T)(nc) 65.381§
Iceland (S)	*I. Krona*	*14.452(§)*
India (S)	Ind. Rupee	17.68
Indonesia	Rupiah	1,347.318
Iran	Rial	164.20(sg)
Iraq	Iraq Dinar	0.635
Irish Republic (k)	Irish £	1.29275
Israel	Shekel	20.7
Italy	Lira	2,350.0
Ivory Coast	C.F.A. Franc	561.88
Jamaica (S)	Jamaica Dollar	3.8200
Japan	Yen	462.50
Jordan (S)	Jordan Dinar	0.695(sg)
Kampuchea	Riel	2,572.8
Kenya (S)	Kenya Shilling	17.87
Kiribati	Australian $	1.8630
Korea (Nth)	Won	2.06(‖)
Korea (Sth)	Won	1,451.29
Kuwait	Kuwait Dinar	0.590
Laos	New Kip	21.44
Lebanon	Lebanese £	8.6804
Lesotho	Loti	1.75925
Liberia	Liberian $	2.1440
Libya	Libyan Dinar	0.6347
Liechtenstein	Swiss Franc	4.3250
Luxembourg	Lux Franc	76.925
Macao	Pataca	11.97
Madeira	Portug'se Escudo	127.20
Malagasy Republic	MG Franc	559.25
Malawi (S)	Kwacha	1.885
Malaysia (S)	Ringgit	4.9550
Maldive Islands (S)	Mal Rupee	8.418
Mali Republic	Mali Franc	1,124.00
Malta (S)	Maltese £	0.8240
Martinique	Local Franc	11.24
Mauritania	Ouguiya †	112.14
Mauritius (S)	M. Rupee	17.85
Mexico	Mexican Peso	51.28
Miquelon	C.F.A. Franc	561.88
Monaco	French Franc	11.24
Mongolia	Tugrik	(o)6.85(‖)
Montserrat	E. Caribbean $	5.789
Morocco	*Dirham*	*10.54*
Mozambique	Metical	59.64
Nauru	Australian Dollar	1.8630
Nepal	Nepalese Rupee	25.70
Netherlands	Guilder	5.2475
NetherlandAntilles	Antillian Guilder	3.83776
New Zealand (S)	N. Z. Dollar	2.3845
Nicaragua	Cordoba	21.40
Niger Republic	C. F. A. Franc	561.88
Nigeria (S)	Naira	1.267479
Norway	Norway Krone	11.87½
Oman Sul'ate of(S)	Rial Omani	0.740
Pakistan	Pakistan Rupee	21.00
Panama	Balboa	2.1440
Papua N.Guinea(S)	Kina	1.4315
Paraguay	Guarani	269.64
Peru	Sol	exc (A) 883.95
Philippines	Philippine Peso	16.15
Pitcairn Islands (S)	£ Sterling	—
	New Zealand $	2.3845
Poland	Zloty	(Cm) 73.13; (T) 73.13
Portugal	Portugu'se Escudo	127.20
Puerto Rico	U.S. $	2.1440
Qatar (S)	Qatar Ryal	7.79
Reunion Ile de la	French Franc	11.24
Romania	Leu	(Cm) 9.75; (n/c) 23.99
Rwanda	Rwanda Franc	203.25
St. Christopher (S)	E. Caribbean $	5.789
St. Helena	*St. Helena £*	*1.0*
S. Lucia	E. Caribbean $	5.789
St. Pierre	Local Franc	11.24
S. Vincent (S)	E. Caribbean $	5.789
Salvador El	Colon	5.35
Samoa American	U.S. $	2.1440
San Marino	Italian Lira	2,350.0
Sao T'oe&Principe	Dobra	80.76
Saudi Arabia	Ryal	7.19
Senegal	*C.F.A. Franc*	*561.88*
Seychelles	S. Rupee	12.70(sg)
Sierra Leone (S)	Leone	2.4435
Singapore (S)	Singapore $	4.54
Solomon Islands (S)	Solomon Is. $	1.8705
Somali Republic	Somali Shilling	(A)13.484
South Africa (S)	Rand	1.75925
South West African Territories (S)	S. A. Rand	1.75925
Spain	*Peseta*	*190.80*
Spanish ports in North Africa	Peseta	190.80
Sri Lanka (S)	S. L. Rupee	38.35
Sudan Republic	Sudan £ (1)	1.072
Sudan Republic	Sudan £ (2)	1.7152
Surinam	S. Guilder	3.83776
Swaziland (S)	Lilangeni	1.75925
Sweden	S. Krona	10.18½
Switzerland	Swiss Franc	4.3250
Syria	Syria £	(A)8.410
Taiwan	New Taiwan $	77.184
Tanzania (S)	Tan. Shilling	17.6500
Thailand	Baht	43.85
Togo Republic	C.F.A. Franc	561.88
Tonga Islands (S)	Pa'anga	1.8630
Trinidad (S)	Trinidad & Tob. $	5.1436
Tunisia	*Tunisian Dinar*	*1.0414(sg)*
Turkey	Turkish Lira	215.17
Turks & Caicos	U.S. $	2.1440
Tuvalu	Australian $	1.8630
Uganda (S)	Uganda Shilling	17.85
United States	U.S. Dollar	2.1440
Uruguay	Uruguay Peso	(cm) 22.50; (fn) 22.52
Utd. Arab Emirates	U.A.E. Dirham	7.86
U.S.S.R.	Rouble	1.5445
Upper Volta	C.F.A Franc	561.88
Vanuatu	Vatu	170(sg)
	Aust. Dollar	1.8630
Vatican	Italian Lira	2,350.0
Venezuela	Bolivar	9.18
Vietnam	Dong	(O) 4.6696; (T) 5.04(‖)
Virgin Islands U.S.	U.S. Dollar	2.1440
Western Samoa	S. Samoan Tala	2.2037
Yemen (Nth)	Ryal	9.68(sg)
Yemen (Sth)	S. Yemen Dinar	(A)0.7315
Yugoslavia	New Y Dinar	72.6912
Zaire Republic	Zaire	6.796032
Zambia	Kwacha	1.83
Zimbabwe	Zimbabwe $	1.4170

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 90.048. ** Rate is the transfer market (controlled). †† Rate is now based on 2 Barbados $ to the dollar. ‡‡ Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (‖) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports. § One new Krona=100 old Kronur.

Diary of the week's Parliamentary work

TODAY

Commons—Finance Bill, committee stage. Motion relating to the education (Allowances for Assisted Places in Secondary Schools) (Scotland) regulations.

Lords—Debate on procedure of the House. Local Government (Miscellaneous Provisions) (Scotland) Bill, committee stage.

Select Committees—*Foreign Affairs:* Overseas development sub-committee. Subject: Role of British aid in the economic development of Zimbabwe. (Room 16, 4.15 pm). *Procedure* (Supply). Subject: Supply procedure. Witness: Mr. Leon Brittan, Chief Secretary to the Treasury. (Room 15, 4.15 pm). Parliamentary Commissioner on Administration. Subject: Reports of the Parliamentary Commissioner for Administration. Witnesses: Customs and Excise. Intervention Board for Agricultural Produce: Ministry of Agriculture. (Room 8, 5 pm).

WEDNESDAY

Commons—Finance Bill, committee stage (until about 7pm). Supreme Court Bill (Lords), second reading, remaining stages of the Judicial Pensions Bill (Lords) and proceedings on the *Statute Law Repeals (Bill Lords)*.

Lords—Debate on aid for small businesses. Debate on Royal Navy's hydrographers.

Select Committees — Education, Science and Arts. Subject: Secondary school curriculum and examinations. Witnesses: Southern Universities Joint Board for School Examinations, Standing Conference of Regional Examination Boards and National Association of Head Teachers. (Room 6, 10.30 am). Foreign Affairs. Subject: situation of Gibraltar and UK relations with Spain. Witness: Sir Ian Gilmour, Lord Privy Seal. (Room 15, 10.30 am). *Scottish affairs.* Subject: Youth unemployment. Witnesses: Dr. T. C. Johnston, Mr. A. D. Weir. (Room 6, 10.30 am). Agriculture. Subject: Animal welfare in poultry, pig and veal calf production. (Room 16, 11 am). *Public accounts.* Subject: *Selective examination of taxpayers' accounts; operation of the PAYE system; black economy; tax avoidance; capital transfer tax and the national heritage.* Witness: Chairman of the Board of Inland Revenue. (Room 16, 4 pm). Welsh affairs. Subject: Broadcasting in the Welsh language and the implications for Welsh and non-Welsh speaking viewers and listeners. Witnesses: Welsh Fourth Channel Authority. (Room 6, 4 pm). Energy. Subject: *North Sea oil depletion policy.* Witnesses: Department of Energy. (Room 5, 4.15 pm). *Transport.* Subject: Transportation in London. Witnesses: Transport 2000 and London Amenity and Transport Association. (Room 17, 4.15 pm). *Social services.* Subject: *Medical education.* Witnesses: Officials of Department of Health and Social Security. (Room 21, 4.30 pm). Employment. Subject: Legal immunities of trade unions and *other* related matters. Witness: Lord Wedderburn. (Room 8, 5 pm).

THURSDAY

Commons—Debate on foreign affairs.

Lords—Debate on EEC regulations relating to proprietary medicinal products. *Debate on the Northern Ireland economy.*

FRIDAY

Commons—Private Members' Bills.

Main business and financial engagements

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

YESTERDAY

DIVIDEND & INTEREST PAYMENTS—
Elder Smith Goldsbrough Mort. 5cts. Do. New (Fully and Partly Paid) 2.5cts.
Pullman (R. and J.) 1.03p
Woodhouse and Rixson 0.5p

TODAY

COMPANY MEETINGS—
American Tst., 31, St. Andrew Square, Edinburgh, 12.15
BSR, Savoy Hotel, Strand W.C., 11.00
Canning (W.), Royal Angus Hotel, Birmingham, 3.00
Davies and Metcalfe, Injector Works, Romiley, near Stockport, Cheshire, 11.30
Federated Land, Winchester House, 100, Old Broad Street, E.C., 12.00
Lambert Howarth Group, Crest Hotel, Burnley, 12.00
Martin-Black Speedwell Works, Coatbridge, Lanarkshire, 12.30
Rentokil Group, Felcourt, East Grinstead, West Sussex, 10.30
Rosedimond Inv. Tst., 41, Bishopsgate, E.C., 12.00
Sterling Credit Group, 10, St. Mary at Hill, E.C., 9.30

BOARD MEETINGS—
Finals:
British Inv. Tst.
French Kier
Lamont Hldgs.
Mothercare
Pearson Longman
Pearson (S.)
Roberts Adlard
Telephone Rentals
Tootal
Warnford Invs.
Warrington (Thomas)
Interims:
Bellway
Common Bros.
Hepworth (J.)
Pearce (C. H.)

DIVIDEND & INTEREST PAYMENTS—
Banro Consolidated Inds. 2.425p
Berwick Timpo 5½pcPf. 1.925pc
British Vita 2.6p
C.A. Carendes *Sociedad Financiera* Fltg. Rate Deposit Finally due 1986 U.S.$45.97
Christiania Bank O.G. Kreditkasse Fltg. Rate Sub. Cap. Notes 1991 U.S.$43.88
Estates and Agency 1p
Howden Group 1.33p
International Inv. Tst. 2.55p
Leumi Intnl. Inv. N.V. Fltg. Rate Notes C 1987 U.S.$79.60
Oliver (George) (Footwear) Ord. and A N.V. Ord. 3.3p
Reliance Knitwear 0.77p
Scottish Eastern Inv. Tst 1.75p
Strong and Fisher 2.8p

TOMORROW

COMPANY MEETINGS
Equity and Law Life Assurance Society, 20, Lincoln's Inn Fields, W.C., 12.15
Family Inv. Tst. 20, Fenchurch Street, E.C., 2.30
General Accident Fire and Life Assurance Corp., General Buildings, Perth, Scotland, 11.30
Gibbs and Dandy, Commerce House, Stuart Street, Luton, 11.30
Hawley Leisure, Maidenhead Eurocrest Hotel, Manor Lane, Maidenhead, Berks, 12.00
Howard and Wyndham, Caledonian Hotel, Princes Street, Edinburgh, 10.00
Invergordon Distillers 7, West George Street, Glasgow, 12.30
Law Land, Howard Hotel, Temple Place, W.C., 12.30
Mackay (Hugh), Royal County Hotel, Durham City, 12.00
Midland Bank, Head Office, Poultry, E.C., 12.00
Pittard Group, Manor Hotel, Yeovil, Somerset, 12.00
Trade Indemnity, 12/34 Great Eastern Street, E.C., 12.00
United Biscuits, Asembly Rooms, George *Street, Edinburgh*, 12.00

BOARD MEETINGS—
Finals:
Altifund
Ambrose Inv. Tst.
Brixton Est.
Continental Union Tst.
Feedex Agricultural Inds.
Hall (Matthew)
Heal and Son
Milletts Leisure Shops
Peninsular and Oriental Steam Navigation
Sainsbury (J.)
Smith St. Aubyn
Interims:
Jenks and Cattell
London and Prov. Shop Centres

DIVIDEND & INTEREST PAYMENTS—
Brixton Estate Deb. 3½pc
Brooke Bond Liebig Ln. 3½pc
Burton Group Ln. 5½pc
Cadbury Schweppes Ln. 4½pc
Carpets Intnl. Deb. 4½pc. Do. Ln. 4½pc
Courtaulds 6pcPf. 2.1pc. Do. Lns. 3¼, 3½pc
Delta Group Deb. 5½pc
Distillers Ln. 3½pc
Eleco Deb. 3¼pc
Federated Land 2.25p
Gibbs and Dandy Ord. and A Ord. N.V. 1.25p
Hurst (Charles) Motors Deb. 3¼pc
Metal Box 2.8pcPf. Ln. 5¼pc
Rentokil 1.5p
Tilling (Thomas) Ln. 4¼pc
Trade Indemnity 4.14p
Trans-Oceanic Tst. 2.5p
United City Merchants 0.6p
Whitbread Ln. 3¼pc

THURSDAY, MAY 7

COMPANY MEETINGS—
Arcolectric, Central Avenue, East Molesey, Surrey, 11.00
Berkeley Hambro Property, 41, Bishopsgate, E.C., 3.30
Bibby (J.), Adelphi Hotel, 1 Ranelagh Place, Liverpool, 12.00
British Mohair Spinners, Victoria Hotel, Bridge Street, Bradford, 12.00
Corah, Burleys Way, Leicester, 12.00
Dickinson Robinson Group, 1, Redcliffe Street, Bristol, 12.00
Guest, Keen and Nettlefolds, Smethwick, Warley, West Midlands, 12.15
Jacobs (John I.), Winchester House, 100, Old Broad Street, E.C., 12.00
Manders, Mander House, Wolverhampton, 12.00
Montfort (Knitting Mills), Grand Hotel, Leicester, 11.00
Ransomes Sims and Jefferies, Nacton Works, Ipswich, 3.00
Refuge Assurance, 103, Oxford Street, Manchester, 12.00
Ruberoid Dorchester Hotel, Park Lane, W., 12.15
Thaper Bardex, Telford Way, Kettering, Northants, 11.30
Tricentrol, Great Eastern Hotel, Liverpool Street, E.C., 12.00

BOARD MEETINGS—
Finals:
Aberdeen Construction
Beralt Tin and Wolfram
Canadian and Foreign Inv. Tst.
Guardian Inv. Tst.
Hay (Norman)
Highcroft Inv. Tst.
Sandhurst Marketing
Sumner (Francis)
UDS
Interims:
Brown (Matthew)
Messina (Transvaal) Dev.
Moss Eng.
Wellco
Wemyss Inv.

DIVIDEND & INTEREST PAYMENTS—
B.B.A. Group Deb. 5pc
BLMC Lns. 3½pc
Berkeley Hambro Property 3.6p
Blue Circle Inds. Deb. 5½pc
Burroughs Corp. 65cts.
Cowie (T.) Ln. 5pc
EMI Lns. 2½, 3¼, 3½, 4¼pc
Emess Lighting 2.75p
Family Inv. Tst. 3.6p
H.T.V. Group N.V. Ord. 3.5p
Harmony Gold Mining 89.23079p
McLaughlin and Harvey (USM) 3.45p
Nolton 0.6p
Reliable Properties 1.25p
Thurgar Bardex 0.6p
Tiger Oats and National Milling 48cts.
Weber Hldgs. 15p

FRIDAY, MAY 8

COMPANY MEETINGS—
Ault and Wiborg, 71, Standen Road, S.W., 12.00
Bodingtons Breweries, Midland Hotel, Manchester 11.45
Bronx Engineering, 75, Harbone Road, Birmingham, 12.00
Church., St James, Northampton 12.00
Clarke (T.), Savoy Hotel, Strand, W.C., 12.00
Eagle Star, 22, Arlington Street, S.W., 12.00
Jones (A.), St. James, Northampton, 11.45
Silkolene Lubricants Silkolene Oil Refinery, Belper, Derbyshire, 12.00
Tate of Leeds, Parkway Hotel, Otley Road, Leeds, 3.00

BOARD MEETINGS—
Finals:
Ovenstone Invs.
Interims:
Fulcrum Inv. Tst.
Herman Smith
Pochins
Ulster TV
Vaux Breweries

DIVIDEND & INTEREST PAYMENTS—
American Express 50cts.
Antofagasta (Chile) and Bolivia Railway 5pcPf. 1.75pc
Clarke (T.) 1.12p
Gresham Inds. 13.5cts.
Hall Engineering 4.2p
IMI 2.5p
Montfort (Knitting Mills) 1p
Needlers 2.5p
New Central Witwatersrand Areas 15cts.
Nottingham Gas Anns. (of £3.25)
Paterson Zochonis Ord. and A Ord. 4p
Refuge Assurance 8.4p
Ruberoid 2.65p
Tioxide Ln. 5¼pc

SATURDAY, MAY 9

DIVIDEND & INTEREST PAYMENTS—
Church 5.5p
Guest, Keen and Nettlefolds 4p
Southwark 6¼pcRed. 83-86 3⅛pc

Rippin wins £1m orders

THE RIPPIN group of structural steel companies in Auchtermuchty, Fife, yesterday announced £1m worth of orders for construction work.

Mr. Robin Rippin, managing director of Rippin, announced the orders and praised workers who showed wage restraint and allowed competitive tendering. He said: "These valuable orders, won in the face of fierce competition, are in no small way thanks to our workers who have shown understanding and restraint. Now their jobs are secure . . . . the way ahead looks very bright indeed."

The orders are for offices for Post Office computerised parcel and letter sorting offices at Glasgow and Edinburgh, a warehouse project in Aberdeen for Shell Expro, a fire station at Monifieth, a hospital in Haddington and two factory projects in Abroath.

Building and Civil Engineering

Prison deal for 500 inmates worth £16m

A CONTRACT worth £16m to build a new prison for up to 500 men on former Royal Air Force land at Griston, Norfolk, has been awarded by the Property Services Agency to R. G. Carter, Drayton, Norfolk.

Work is due to start in the middle of next month and is expected to take three years to complete. It will provide jobs for up to 250 people. The project, first proposed about 20 years ago, was opposed by local residents, but they failed to persuade the Home Office to look for another site.

To be known as Wayland Prison, it will comprise two main brickwork cell blocks, a gatehouse, six administration blocks, a boiler house complex, a sports field and a new housing development. It is the biggest contract awarded to R. G. Carter.

Leicester homes

HOMES for more than 300 people are to be built on two sites in Leicester under a contract worth more than £1.5m awarded to the Midlands region of John Laing Construction by Leicester City Council.

On the first site, close to the city centre at West End East, 74 two-storey houses and three *three-storey houses are to be* built as part of a redevelopment scheme. About two miles away, in Aikman Avenue, three two-storey houses will be constructed close to a 192-home estate completed by Laing for the City Council in 1978.

Construction will include mainly piled foundations, brick and block cavity walls, block and stud partition interior walls.

Quiet man of Norwest Holst

BY DEBORAH PICKERING

SINCE Raymond Slater first went shopping for property acquisitions in Manchester he has effected much more than just another invesment success for *his £108m annual turnover* company Norwest Holst.

Known in the building and civil engineering world as the "quiet millionaire" the 46 year old managing director of Norwest *Holst has had a life-long* love of music and the arts.

He bought the Bridgewater Estate of five major multi-storey office blocks which has enabled Manchester's Palace Theatre *to extend its stage, giv*ing Covent Garden the impetus to take the Royal Opera on to its first UK season outside London for 17 years.

Slater saved the Palace from closure in 1978 when Norwest Holst bought the theatre from Moss Empires. It has now been restored over and above its former splendour at a cost of £3m, which includes a completely rebuilt stage area (*increased to 5,100 square feet*), and the raising of the roof and flying tower by 12 feet.

Apart from the Royal Opera House at Covent Garden, the Palace's stage is now the *largest in the country and the* theatre has become the second home for the Royal Companies from Covent Garden.

Linked to Slater's rescue of a unique Manchester monu*ment are a number of projects* all adding up to a £36m scheme at to-day's prices.

Scheduled for completion within five years, the plan centres on Whitworth and Oxford Street. It includes a huge new concert hall, hotel, offices, multi-storey car park and (in the giant Refuge Assurance building) an art gallery. The construction package of arts venues will com*prise one of the largest arts* centres in Europe.

The commercial mix starts next month with work on the multi-storey car-park on the site of the derelict Africa House in Whitworth Street. Refurbishing the multi-storey office block, Bridgewater House (situated immediately behind the Palace Theatre) *starts later this year and* should cost around £4m.

Up to £8m will be spent in converting India House in Whitworth Street into a 200-bedroom hotel, and work on two other blocks in this street will provide extra office accommodation at Dominion House and Lancaster House.

One of the best examples of Victorian architecture in *Britain is in Manchester and* is known as the Refuge. The new concert hall will be built on land at the Refuge's rear and the building will also accommodate offices, bars, foyers and so on.

This promises to be very economic to design and construct and will also absorb a hall for chamber music and recitals. Slater says he hopes this scheme will attract people from all over the world with the blandishments of a national museum with specialist exhibits on a large scale, and important and unique examples of British history.

Manchester Shell block

INDUSTRIAL construction work in the north east and north west of England awarded to Fairclough Building totals nearly £6m. The biggest contract, worth more than £4m, is for a two-storey amenity block and a computer suite extension for Shell UK in Manchester.

The block will contain a medical centre, a social club and a staff restaurant seating more than 200. An existing restaurant and kitchen block will be converted to form the computer suite. Work on the 78-week building programme has already begun.

*At Cramlington, Northumber*land, Fairclough Building, Leeds, and Sedgefield have begun work on a £1.9m contract to build a new processing plant for Boots the Chemists. Part of a major development planned by Boots at Cramlington, the plant will comprise a factory building and an amenity block with computer room, laboratory and offices.

A "dry-stacked" two-storey house takes shape

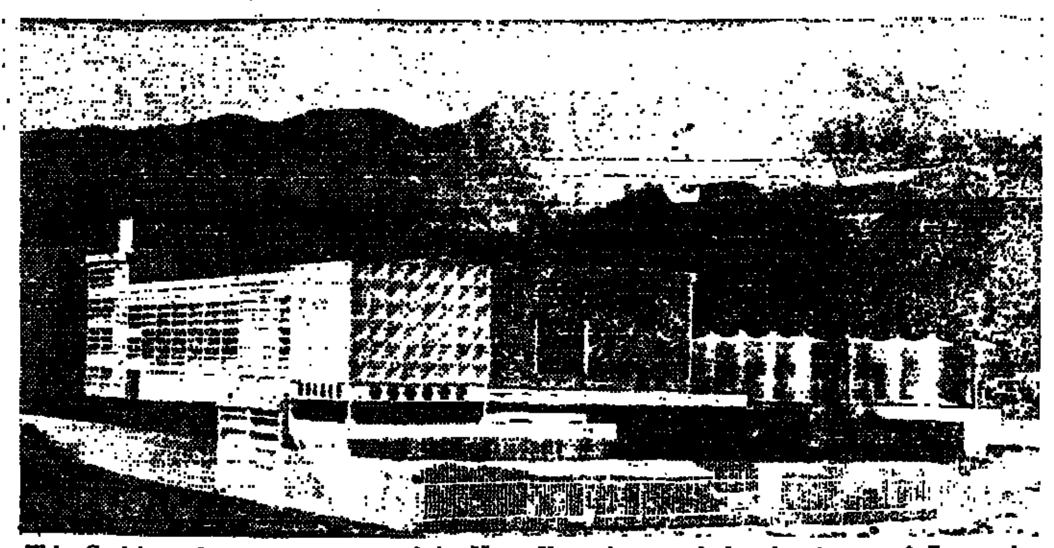
A BID is being made by Blue Circle Industries and the Autoclaved Aerated Concrete Products Association to gain wide acceptance for a "dry stacking" method of construction for houses.

It is claimed that thermally efficient and attractive buildings can be provided by this method of construction, has been used aerated concrete blocks and Fibrocem, a glass fibre reinforced cement render.

Chelmsford conversion

WORK IS now under way on the conversion of a nineteenth century factory at Chelmsford into offices for the Essex Water Company. Quantity surveying services for the £520,000 project, which is due for completion in November, are being provided by E. C. Harris and Partners. The contractor is C. M. Cadman and Sons of Colchester.

Conversion of the old Marconi factory, which is a Grade II *listed building, will provide* 1,000 sq metres of offices. New foundations are being laid, together with an interior steel frame to strengthen the existing building. The original cast iron window frames are to be repaired.



This Carlsberg brewery was opened in Hong Kong last week by the Queen of Denmark. Ove Arup & Partners was the principal consultant for the project. The preliminary design was prepared in collaboration with architects Helsted, Madsen and Thompson APS of Copenhagen, while Yorke Rosenberg Mardell International was responsible for the detailed architectural design.

Bristol piling contracts

THREE Cemcore piling contracts in the Bristol area totalling £333,000 in value have been awarded to Cementation Piling and Foundations. The largest of the three has been awarded by Comben Homes Western for its development in the Bathhurst Basin. The other two are both in Avonmouth, one for a new Customs House, ordered by the Department of the Environment and the Property Services Agency and the other for a factory extension for Associated Family Bakeries.

On each of these contracts Cementation will instal its Cemcore auger-injected piles, claimed to be the quietest form of piling ever devised and especially suitable for the difficult ground conditions found on these sites. This technique is said to be capable of forming a sound pile in most types of sand, gravel, soft rock and *clay even if a high-water table* is found on the site.

£33m financing agreement

A FINANCING agreement to the value of US$33m has been signed in London between a syndicate of banks assembled by the Banque de Paris et des Pays-Bas (London) and the Republic of the Ivory Coast, West Africa. The loan, repayable over 12 years, will finance a 70 km road to be built by Wimpey Asphalt Ivoire SA, a member of the George Wimpey Group.

The road, linking Dimbokro, Bongouanou and Kotobi, is intended to improve communications within the Republic and follows a detailed study by the Ivory Coast Ministry of Works and the World Bank. It will establish an east-west highway from the country's agricultural areas to the railhead at Dimbokro as well as serving the large textile-manufacturing area near Dimbokro.

The contract specifies a three-lane, all-weather road 7.25 metres wide with a 2-metre hard shoulder on each side and two reinforced concrete bridges.

The other banks in the financing syndicate are Barclays Bank International, Lloyds Bank International, Banque Belge-Societe Generale de Banque, Standard Chartered Bank, and Sumitomo Bank-Nippon Trust and Banking Co.

Bushey and London deals for Wimpey

THE Luton office of Wimpey Construction UK has won two contracts jointly valued at *about £2.3m.*

Starting at High Road, Whetstone, North London, is a project valued at £1.075m for Michael Gerson (Investment). This design and construct con*tract comprises a 2,200 square* metres warehouse with two storey attached loading dock together with external concrete roads, retaining walls and drainage.

Completion is scheduled for the end of February next year.

The other contract worth more than £1.2m is for a housing improvement scheme for Hertsmere Borough Council at Scottswood Road, Bushey, Herts.

CEGB £20m contract

TAYLOR WOODROW Construction has been awarded a contract worth nearly £20m by the Central Electricity Generating Board to construct a cooling water system at Heysham 2 nuclear power station in Lancashire.

Work should start this month and is due for completion in August. Quantity surveyor for the project is E. C. Harris and Partners and the design engineers are Allott and Lomax.

Taylor Woodrow carried out the civil engineering construction of Calder Hall, the world's first commercial nuclear power station which came into service in 1956, and has subsequently been responsible for the main civil engineering design and construction of Hinkley Point, Sizewell, Wylfa, Hartlepool and Heysham nuclear power stations, and the prototype fast reactor station at Dounreay.

. . . And one for Aiton

AITON AND Company, pipework and process plant engineers of Derby, has announced two orders worth £20m. One for high pressure pipework systems also for *Heysham and the similar* South of Scotland Electricity Board Torness nuclear power station in Lothian. The contracts were awarded by the National Nuclear Corporation.

Infants' school

WORK is about to start on a new infants school for 90 pupils in Station Road, Stallingborough, for Humberside County Council. The contractor on the £214,973 project is Dowse and Quincey. The quantity surveyors are E. C. Harris and Partners and the architects are the Elsworth Sykes Partnership. The contract period is 16 months.

Refurbishment

A CONTRACT worth nearly £3m to modernise staff accommodation at Carstairs State Hospital, Lanarkshire, has been awarded to the Scottish division of Fairclough Building by the Property Services Agency.—A total of 122 houses in the hospital grounds will be refurbished in phases during a 27-month programme.

Fairclough's Scottish division has also won two contracts, together worth £393,000, for work at J. and P. Coats, the Paisley-based textile group.

● A geriatric day unit at Wesham Park Hospital, Kirkham, Lancashire, is to be built by R. Costain and Sons (Liverpool) for the North-West Regional Health Authority under a contract worth £482,000. It will be of single-storey construction with a pitched roof and central courtyard. Covered paths to other hospital buildings, roads and landscaping are included in the contract. The architects are Cassidy and Ashton; Preston.

● Gregory Brothers of Havant, Hants, has been awarded a £345,115 contract for the completion of a Greater London Council flats project for retired persons at Bosmere Gardens, Emsworth, Hants.

APPOINTMENTS

COMPANY NOTICES

CLUBS

CLASSIFIED ADVERTISEMENT RATES

FT Monthly Survey of Business Opinion

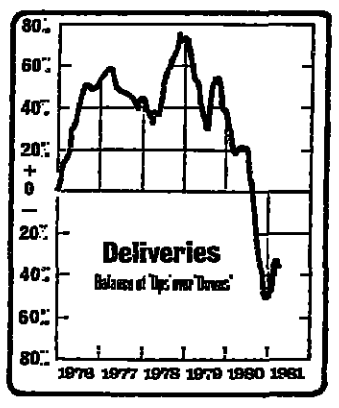
GENERAL OUTLOOK

Industry more optimistic

INDUSTRY HAS become more optimistic about the prospects both for individual businesses and for the economy as a whole. All three sectors covered this month—non-electrical engineering, brewing and distilling and paper, packaging and publishing—are more optimistic than when last questioned four months ago. There is a fractional net balance saying they are more rather than less optimistic.

One engineering company comments that it has more inquiries turning into firm orders and another says that the bottom of its customers' destocking was reached last December.

Looking at the general outlook for the UK economy all three sectors are more inclined to be more optimistic than when questioned four months ago. For the first time since the middle of 1979 the index has reached a point where more companies say they are more optimistic than say they are less optimistic.



GENERAL BUSINESS

Are you more or less optimistic about your company's prospects than you were four months ago?	Jan. Apr. %	Dec. Mar. %	Nov. Feb. %	Oct. Jan. %	Eng. (non-elect.) %	Brews. Distills. %	Paper Packaging Publishing %
	4 monthly moving total				April 1981		
More optimistic	27	21	19	21	31	29	34
Neutral	47	50	42	38	54	43	41
Less optimistic	26	29	39	41	15	28	25

EXPORT PROSPECTS (Weighted by exports)

Over the next 12 months exports will be:	Jan. Apr. %	Dec. Mar. %	Nov. Feb. %	Oct. Jan. %	Eng. (non-elect.) %	Brews. Distills. %	Paper Packaging Publishing %
	4 monthly moving total				April 1981		
Higher	41	40	43	50	43	38	45
Same	26	27	27	26	37	62	21
Lower	32	32	30	23	20	—	34
Don't know	1	1	—	1	—	—	—

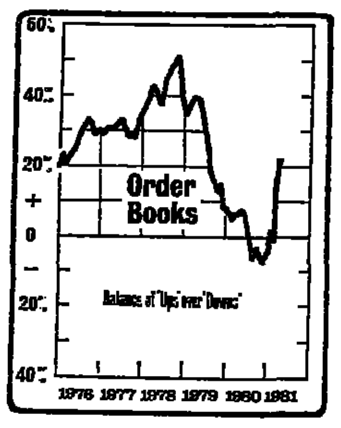
ORDERS AND OUTPUT

Demand expected to rise

DEMAND PROSPECTS are improving after the sharp fall in output of the last year. The backward-looking indicators are still relatively gloomy, just over half the sample, report a declining trend of deliveries over the last four months and nearly half the companies say the trend in new orders has been downwards over the period. The net balance of those reporting a fall rather than a rise in new orders has become smaller since the beginning of this year.

Looking ahead, the prospects have improved considerably in recent months. All three sectors are, for example more inclined to say they expect their order books to improve over the next four months. And there is a growing net balance of companies expecting a rise. The trend of output may, however, be flattish since the median expected rise in production/sales turnover has dropped back to 0.5 per cent.

The engineering sector is more optimistic about its export prospects than it was last December and this indicator has stabilised after declining for some time.



NEW ORDERS

The trend of new orders in the past 4 months was:	Jan. Apr. %	Dec. Mar. %	Nov. Feb. %	Oct. Jan. %	Eng. (non-elect.) %	Brews. Distills. %	Paper Packaging Publishing %
	4 monthly moving total				April 1981		
Up	13	14	10	8	13	—	5
Same	25	20	18	16	27	100	16
Down	47	49	54	55	60	—	79
No answer	15	17	18	21	—	—	—

PRODUCTION/SALES TURNOVER

Those expecting production/sales turnover in the next 12 months to:	Jan. Apr. %	Dec. Mar. %	Nov. Feb. %	Oct. Jan. %	Eng. (non-elect.) %	Brews. Distills. %	Paper Packaging Publishing %
	4 monthly moving total				April 1981		
Rise over 20%	3	3	2	2	—	—	—
Rise 15-19%	—	—	1	1	—	—	—
Rise 10-14%	3	5	4	3	6	—	—
Rise 5-9%	11	11	13	14	8	29	5
About the same	62	58	59	52	70	71	68
Fall 5-9%	8	7	9	8	10	—	5
Fall over 10%	6	5	5	9	6	—	22
No comment	7	11	7	11	—	—	—

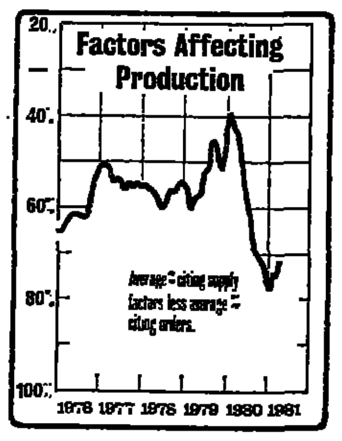
CAPACITY AND STOCKS

Inventories may increase

THE very large rundown in stocks levels in the past year has affected industry's attitude towards future stock needs. All three sectors are, for example, less inclined to say their stock levels are too high than when last questioned four months ago. As a result the indicator for stock levels in relation to current sales trends shows its first substantial fall for some time. All three sectors are also more inclined to expect work-in-progress and stocks of raw materials and manufactured goods to increase over the next 12 months, following the recent destocking.

While the recession shows some signs of flattening out, nearly three-fifths of companies are still working at below target capacity. The engineering sector is, however, more inclined than before to say it is operating at, rather than below, planned output levels.

Similarly, production continues to be affected much more by lack of demand rather than by supply side constraints. However, industrial relations problems, notably in the brewing and distilling business, mean that labour disputes are now featuring among the main factors affecting production.



CAPACITY WORKING

	Jan. Apr. %	Dec. Mar. %	Nov. Feb. %	Oct. Jan. %	Eng. (non-elect.) %	Brews. Distills. %	Paper Packaging Publishing %
	4 monthly moving total				April 1981		
Above target capacity	3	3	3	3	—	—	—
Planned output	29	33	39	42	55	29	50
Below target capacity	59	56	56	50	45	43	50
No answer	9	8	2	5	—	28	—

STOCKS

	Jan. Apr. %	Dec. Mar. %	Nov. Feb. %	Oct. Jan. %	Eng. (non-elect.) %	Brews. Distills. %	Paper Packaging Publishing %
	4 monthly moving total				April 1981		
Raw materials and components over the next 12 months will:							
Increase	23	19	17	17	37	29	28
Stay about the same	48	44	43	43	47	71	65
Decrease	25	31	34	31	13	—	7
No comment	4	6	6	9	3	—	—
Manufactured goods over the next 12 months will:							
Increase	21	18	14	15	3	29	28
Stay about the same	48	44	38	40	44	71	44
Decrease	19	26	35	28	1	—	7
No comment	12	12	13	17	52	—	21

FACTORS CURRENTLY AFFECTING PRODUCTION

	Jan. Apr. %	Dec. Mar. %	Nov. Feb. %	Oct. Jan. %	Eng. (non-elect.) %	Brews. Distills. %	Paper Packaging Publishing %
	4 monthly moving total				April 1981		
Home orders	91	91	90	90	100	100	100
Export orders	62	64	66	63	66	57	50
Executive staff	—	—	—	2	—	—	—
Skilled factory staff	3	4	4	5	—	—	—
Manual labour	—	—	1	1	—	—	—
Raw materials	4	4	2	—	—	—	—
Production capacity (plant)	3	3	3	3	—	—	—
Finance	—	1	1	1	—	—	—
Others	14	13	6	3	9	—	5
Labour disputes	16	11	9	4	—	57	—
No answer/no factor	1	1	5	5	—	—	—

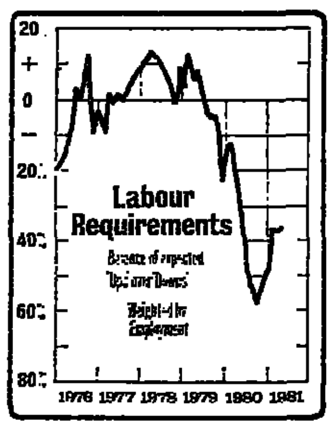
INVESTMENT AND LABOUR

Jobs outlook still bleak

THE OUTLOOK for employment remains bleak, though the period of rapid deterioration may be over. Both the engineering and the paper and connected sectors are less inclined to say they expect their labour forces to decrease than they were last December. This has, however, been offset by a greater tendency on the part of the brewing and distilling sector to say it expects employment to fall.

The main influence on labour requirements remains lack of demand. In the engineering and the paper and connected sectors rather fewer companies say that employment levels are being reduced by high wage or other labour costs in relation to productivity. A large number of companies in paper and packaging refer to plans to increase productivity.

Industry remains cautious about fixed capital investment. Both the brewing and distilling and the paper and connected sectors are more inclined to expect their capital expenditure to decrease over the next 12 months than when last interviewed in December. A new table (not published here) shows that both the engineering and the paper and connected sectors expect the proportion of their capital spending which goes overseas to increase over the next year.



LABOUR REQUIREMENTS (Weighted by employment)

Those expecting their labour force over the next 12 months to:	Jan. Apr. %	Dec. Mar. %	Nov. Feb. %	Oct. Jan. %	Eng. (non-elect.) %	Brews. Distills. %	Paper Packaging Publishing %
	4 monthly moving total				April 1981		
Increase	11	12	10	9	1	—	25
Stay about the same	42	38	43	47	69	35	25
Decrease	47	49	47	44	30	65	50
No comment	—	1	—	—	—	—	—

CAPITAL INVESTMENT (Weighted by Capital Expenditure)

Those expecting capital expenditure over the next 12 months to:	Jan. Apr. %	Dec. Mar. %	Nov. Feb. %	Oct. Jan. %	Eng. (non-elect.) %	Brews. Distills. %	Paper Packaging Publishing %
	4 monthly moving total				April 1981		
Increase in volume	26	25	27	21	14	31	4
Increase in value but not in volume	6	7	6	9	—	—	21
Stay about the same	22	25	24	32	28	—	36
Decrease	45	42	42	36	51	69	39
No comment	1	1	1	2	7	—	—

COST AND PROFIT MARGINS

Inflation in single figures

INDUSTRY'S COSTS and prices are expected to rise at a single figure rate over the next 12 months, continuing the recent moderation in inflationary expectations. Both the brewing and distilling and the paper and connected industries expect smaller median rises in wages over the next year than they did when interviewed four months ago. Consequently, this indicator has slipped from 9.7 to 9.4 per cent while median expected rise in unit costs has come down from 10.4 to 9.9 per cent.

All three sectors expect smaller prices increases over the next 12 months than they did when last questioned. As a result the median change has dropped sharply—from 10.4 to 9.3 per cent—compared with 11.4 per cent three months ago.

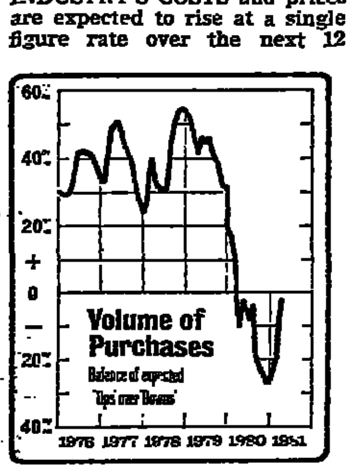
A significant recent change has been the increased number of companies expecting profit margins to improve over the next 12 months. This in particular reflects the greater optimism of the paper and connected and the brewing and distilling sectors.

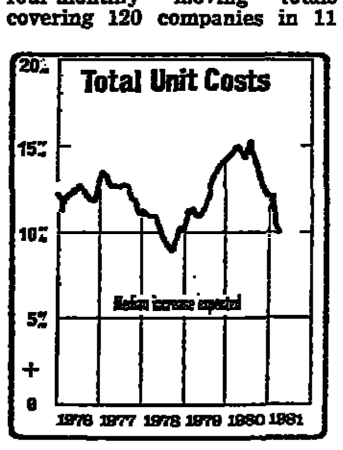
These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based on interviews with executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based upon the FT Actuaries' index, which accounts for about 60 per cent of all public companies.

The all-industry figures are four-monthly moving totals covering 120 companies in 11 industrial sectors (mechanical engineering is surveyed every second month).

Complete tables can be purchased from Taylor Nelson and Associates.





COSTS

	Jan. Apr. %	Dec. Mar. %	Nov. Feb. %	Oct. Jan. %	Eng. (non-elect.) %	Brews. Distills. %	Paper Packaging Publishing %
	4 monthly moving total				April 1981		
Wages rise by:							
0-4%	1	1	1	1	3	—	—
5-9%	53	49	43	34	57	57	32
10-14%	40	40	38	40	37	43	46
15-19%	1	4	5	11	3	—	—
20-24%	—	—	2	2	—	—	—
No answer	5	6	11	12	—	—	22
Unit cost rise by:							
0-4%	6	7	5	4	6	—	2
5-9%	35	30	25	18	17	57	14
10-14%	37	40	50	47	67	43	79
15-19%	5	6	8	15	—	—	—
Same	1	1	1	2	7	—	—
Decrease	2	2	—	—	—	—	—
No answer	14	14	11	14	3	—	5

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	Jan. Apr. %	Dec. Mar. %	Nov. Feb. %	Oct. Jan. %	Eng. (non-elect.) %	Brews. Distills. %	Paper Packaging Publishing %
	4 monthly moving total				April 1981		
Improve	37	30	23	26	13	57	66
Remain the same	39	39	34	33	54	43	29
Contract	23	30	42	39	33	—	5
No comment	1	1	1	2	—	—	—

APPOINTMENTS

EIMCO chairman

New chairman of EIMCO (Great Britain) is Mr. F. D. Davies. A company spokesman commented that Mr. Davies' 35 years experience in the mining industry, 14 as an area director of the National Coal Board, will provide a wealth of knowledge of the future developments in mining technology and management. EIMCO is a subsidiary of Envirotech Corp., California.

★

Mr. Laurie Clarke, operations controller of the Top Rank Clubs, has been appointed a director of RANK LEISURE.

★

QUEENSGATE SECURITIES, Maidenhead based property and construction group, has appointed Mr. Peter Wescott as joint managing director. He has been financial director for nine years.

★

Mr. M. P. Wilson and Mr. T. D. Preston have been appointed directors of HARRISON and CROSFIELD. Mr. Preston has ceased to be a director of The Sabah Timber Co.

★

Mr. George W. Van Der Ploeg has been elected vice president of the BANK OF NEW YORK. Mr. Van Der Ploeg is in charge of corporate banking at the Bank's London Branch.

★

Mr. John Spalding has been appointed deputy managing director of LA COMPUTER SERVICES.

★

Mr. L. Straka and Mr. H. A. Stephens have been appointed to the Board of BPC. Mr. Straka is president of Pergamon Press Inc. New York, and Mr. Stephens is deputy managing director of Pergamon Press.

★

Mr. R. W. Walker, managing director of the LONDON AND PROVINCIAL POSTER GROUP (part of the IPC Division of Reed International) has been appointed deputy chairman and chief executive from October 1. Mr. Edward Shaw, managing director of the specialist, educational and leisure group of IPC Magazines and a member of the Board of the London and Provincial Poster Group, will become managing director on October 1. He is succeeded by Mr. David Beattie, assistant managing director of the specialist, educational and leisure group.

★

Mr. Peter Gardner has retired as a deputy chairman and a director of THE WIGGINS TEAPE GROUP and as principal of the B.A.T. Industries Group management centre at Chelwood in Sussex. (Wiggins Teape is a member of the B.A.T. Industries Group.) Mr. John Worlidge, a director of B.A.T. Industries and The Wiggins Teape Group, takes over from Mr. Gardner as deputy chairman of Wiggins Teape. Mr. Phil Wright, formerly marketing director at British-American Tobacco Company's Millbank headquarters, will be the new principal of Chelwood.

★

Mr. Ronald Emmanuel has been appointed deputy chairman of WHEELER'S RESTAURANTS. He remains a joint managing director.

★

BRITISH SHIPBUILDERS is making the following appointments from May 11. Mr. Eric Mackie, while remaining a director of the shiprepair division Board, will become full-time managing director of Govan Shipbuilders, Glasgow. Mr. George Parker will become managing director of the shiprepair division and will be succeeded as managing director of Smith's Dock Company, South Bank Middlesbrough, by Mr. D. R. Spence. Mr. Parker will remain a director of Smith's Dock Company.

★

CEMENTATION CSI HOLDINGS, the structural arm of the Trafalgar House Group, has appointed Mr. P. E. Lindesay and Mr. D. F. Stillman technical directors of Cementation International, and Mr. J. J. Andrew a technical director of Cementation Construction.

★

BLUE CIRCLE INDUSTRIES has appointed Mr. Geoffrey Wilson a non-executive director from June 1. Mr. Wilson is chief executive of Delta Group PLC.

★

Mr. Peter Bologna, Mr. Stephen Clasper and Mr. Ian Hopkins have been appointed to the Board of CHEMICAL BANK INTERNATIONAL, the merchant banking arm in London of Chemical Bank, as executive directors.

★

Mr. Robert R. Hall has been elected president of VARIETY CLUBS INTERNATIONAL, the show business children's charity organisation. He succeeds Mr. Burton Robbins, who becomes chairman of the Board of directors.

★

Mr. Richard M. Robinow and Mr. Robert O. Barnes have been appointed directors of the ANGLO INDONESIAN CORPORATION.

★

Mr. Geoffrey A. Griffiths has been elected chairman of INTERPAVE—the Leicester-based association which represents the interests of interlocking concrete block manufacturers—replacing Mr. Grahame H. Schofield.

★

Mr. A. G. Smith has been appointed secretary of EDWARD LUMLEY AND SONS and Mr. T. K. Belton has been appointed a director of EDWARD LUMLEY AND SONS (UNDERWRITING AGENCIES) following the retirement of Mr. W. S. Gauld from the boards of Lumley Group.

OVERSEAS

Mr. Weston R. Christopherson, chairman and chief executive officer of Jewel Companies, has been elected a director of the Boards of CONTINENTAL ILLINOIS CORP. and its principal subsidiary, Continental Illinois National Bank and Trust Company of Chicago.

★

Mr. Louis Moskowitz has been elected chairman of both the REPUBLIC NEW YORK CORPORATION and the Republic National Bank, and Mr. Walter H. Weiner was re-elected president of the corporation and elected president of the bank. Mr. Moskowitz had previously been vice-chairman of the Corporation and president of the bank, and Mr. Weiner had been president of the corporation.

★

Mr. Ernst Bachofner has been appointed a vice-president of STAUFFER CHEMICAL COMPANY. He will continue to be located in Geneva as vice-president and general manager of the Europe division.

★

Mr. E. J. Gilbert has been promoted to vice-president of operations of NATOMAS CO., for its North American petroleum operations, based in Houston. He will be responsible for production, drilling and petroleum engineering in the U.S. and Canada.

★

Mr. Thomas E. Bennett has been appointed president of the TORRINGTON COMPANY, the bearing and components group of Ingersoll-Rand Company, succeeding Mr. Raymond G. O'Connell, who has retired.

★

Mr. Albert Heijn has been appointed president of the EUROPEAN CONFEDERATION FOR RETAILING of which the Retail Consortium is a member. He takes over from Lord Peart, chairman of the Retail Consortium who has been president for the past year. Mr. Heijn is chairman of Ahold N.V., the largest multiple chain in Holland.

★

Mr. Georg Sulzer is to retire next year as Board chairman of the Swiss engineering concern SULZER BROTHERS, Winterthur. He will be succeeded by Mr. Armin Baltensweiler, currently managing director of Swissair. Mr. Baltensweiler is to be named the Sulzer Board's vice-chairman at the 1981 shareholders' meeting.

★

M. André Deque will shortly be appointed chairman of the board of BANQUE BRUXELLES LAMBERT.

★

Mr. William A. Page has been elected managing director of CONTINENTAL ILLINOIS LIMITED, the London-based merchant bank of Continental Illinois Corporation, parent of Continental Illinois National Bank and Trust Company of Chicago. Mr. Page succeeds Mr. George L. Schneppert who has been managing director since 1977. Mr. Schueppert will assume responsibilities as division manager in charge of the bank's multinational banking activities in central and southern Europe and will be based in Paris.

★

Mr. Brian Hewitt has joined the Board of COSTAIN UK and has been appointed chairman of Costain Homes with overall responsibility for all housing activity in the UK and Europe.

WORLD STOCK MARKETS

Early Wall St in big decline

A SHARP retreat began in morning trading on Wall Street yesterday, although after mid-session the market moved slightly above its lowest levels. Investors remained concerned about the outlook for U.S. interest rates.

By 2 pm the Dow Jones Industrial Average was down 19.28 to 976.31 and declines led advances by about nine to one. All other major indices were down too—the Dow Transport 6.73 at 417.13, Utilities 1.31 at 104.21 and Stocks 6.61 at 376.63. Noon volume was 24m shares.

Several U.S. banks raised the prime rate to 19 per cent yesterday morning while Chemical Bank joined Irving Trust in raising its broker loan rate to 20¼ per cent.

The top 10 noon actives were all lower—among them Illinois Power which shed $⅝ to $16⅞, IBM $¾ to $58⅝, Tenneco $⅜ to 40⅞ ex dividend, General Motors $1⅛ to $52⅞ and Sony $⅜ to $19⅞.

Canada

The early decline in New York prices was echoed in Canadian markets, with the Toronto Composite Index off a sharp 28.0 by noon to 2.270.80. The Metals and Minerals Index followed suit — 24.8 lower at 2,258.7 while the Oil and Gas Index shed 68.1 to 4,385.0.

For Golds the retreat was slightly less severe The sector's index lost 16.9 by noon to 4,303.6.

Germany

Prices on the Frankfurt bourse weakened in quiet trading with the Commerzbank Index falling 6.5 to 713.0.

Car shares led the market down. Daimler-Benz fell DM 4 to DM 303, it low for the day. Volkswagen also ended at its day's low of DM 151.50. off DM 4.60.

Chemicals eased, with Hoechst down DM 1.10 at DM 122.60 after announcing lower world group net profits.

Bank issues were also weaker, with Deutsche shedding DM 3.50 from Thursday's close to DM 282.50. Dresdner was down DM 3 at DM 154.

In easier Stores, Karstadt was off DM 1.50 at DM 200.50. Metallgesellschaft shed DM 7.50 to DM 323. Preussag lost DM 2.80 to DM 134.70 but Degussa rose 30 pfg against the trend to DM 239.

In Engineerings, GHH was DM 1 lower at DM 208, Deutsche Babcock 50 pfg at DM 199.50 and Linde DM 2.30 at DM 311.30.

On the Domestic Bond market Public Authority loan prices fell by as much as 1.50 points. D-mark Eurobonds were also weaker.

Paris

Bourse prices firmed an average 1.5 per cent in moderate trading on foreign buying, said to have been mainly from Switzerland.

Foods led the trend, with BSN-Gervais-Danone rising FFr 27 to FFr 1,087, while Pernod-Ricard was up FFr 10.90 at FFr 285 following higher 1980 group net profits.

Constructions also firmed, with Bouygues, brifly suspended because of strong buying interest, rising FFr 39 to FFr 754 It is a sector leader mainly because of a $1.7bn contract to build a university complex in Riyadh, Saudi Arabia.

Banks were mixed and Portfolios eased.

In Vehicles, Peugeot, which announced that its parent company results showed a net loss last year after profits in 1979, none the less added FFr 1 to FFr 165

Foreign stocks were generally mixed, with Americans lower and Coppers firmer.

Switzerland

Zurich bourse prices continued to decline in lacklustre trading in view of the stronger dollar. The Swiss Banking Corporation Index lost 4.0 to 291.6.

All major Banks declined. Union Bank was off SwFr 45 at SwFr 3,005 and Swiss Bank SwFr 4 at SwFr 331.

Elsewhere, Pirelli shed SwFr 4 to SwFr 248 and Swissair SwFr 58 to SwFr 686.

Italy

Prices generally eased in quieter trading. The day's index was 1.15 lower at 270.22.

Among Banks, Centrale shed L150 to L49,749. Most Industrials were easier too, with Fiat off L79 at L2,490, Pirelli SpA L90 at L2,620 and Olivetti L50 at L4,780. Italcementi lost L1,040 to L54,950. Bonds were mixed.

Amsterdam

The market ended mixed after a moderate trade. Royal Dutch was off Fl 2.10 to Fl 91.90 while Hoogovens turned an opening gain into a Fl 0.30 loss at Fl 18.60 in mainly lower Dutch Internationals.

ABN, announcing faster first quarter growth in profits, fell Fl 10 to Fl 284 ex its Fl 13.50 dividend. Volkerstevin, which said it expects sharply reduced losses tihs year, added Fl 4 to Fl 33. State loans were lower.

Australia

Bank shares continued to dominate interest in an otherwise dull Sydney market following confirmation by ANZ Group that it is involved in merger discussions with CBA.

CBA closed steady at A$4.50 after rising to A$4.70. ANZ was also firm, at A$4.50 after regaining an early eight cent loss.

CBC Bank, thought to be vulnerable to takeover if the CBA-ANZ deal goes through, rose 15 cents to A$4.45 while National Bank rose 10 cents to A$3.40 and Bank of NSW firmed two cents to A$3.30.

Trading elsewehre lacked direction and the All Ordinaries Index eased 2.1 to 711.1.

Among leaders, BHP lost 15 cents to A$14.10, CSR two cents to A$6.98, CRA 25 cents to A$4.65, MIM held at A$4.50, Western Mining lost two cents to A$5.22. The Metals and Minerals Index fell 4.9 to 626.5.

Meanwhile, Woodside was steady at A$2.28 and Santos rose 16 cents to A$6.40. The Oil and Gas Index added 1.3 to 893.2.

In Melbourne similar interest attached to Banks while Minings were even.

Hong Kong

Share prices eased in quiet trading, with the Hang Seng Index falling 10.67 to 1,428.56. Sentiment was said to be depressed by expectations of the further increase in U.S. interest rates.

Among leaders, Cheung Kong lost 70 cents to HK$26.10, Jardine Matheson 50 cents to HK$19.70 and Hong Kong Land 20 cents to HK$12.30.

Hutchison Whampoa fell 30 cents to HK$16.30, Swire Pacific "A" 20 cents to HK$15.70 and Hong Kong Electric 5 cents to HK$8.15.

Among Properties, Sun Hung Kai shed 20 cents to HK$14.50 and New World 5 cents to HK$5.45.

Singapore

Profit-taking brought share prices lower after a higher opening in active trading. The Straits Times Index fell 9.25 from Thursday's record to 877.24—its first decline in more than two weeks.

Financial issues were off sharply with the trend. UOB lost 30 cents and OCBC 20 cents. Elsewhere, Straits Trading similarly shed 30 and Sime Darby 20.

Most dealers said the market had been overbought and the downturn would be brief.

Johannesburg

Prices closed narrowly mixed. Anglo American Golds eased 25 cents to R102 and East Driefontein added the same amount to R32.50. De Beers firmed two cents to R9.20.

Elsewhere, Rembrandt shed 10 cents to R9.65 and OK Bazaars 25 cents to R18.75.

Closing prices for North America were not available for this edition.

Socal drops bid for Amax after poor shareholder response

BY PAUL BETTS IN NEW YORK

STANDARD OIL of California (Socal), the fourth largest U.S. oil company, withdrew at the weekend its cash and shares offer for Amax, the large U.S. minerals and mining concern.

The bid, which at current market prices was originally valued at $3.89bn but could have totalled $4.3bn depending on share prices, would have been the largest corporate takeover, topping Shell Oil's $3.65bn acquisition of Belgrade Oil in December, 1979.

Socal said it had withdrawn its offer following its failure to convince Amax that its bid was "fair and equitable to Amax stockholders."

Socal's decision did not come as a surprise. This is the second time it has attempted to acquire Amex and dropped its offer because of opposition from Amax's management.

Socal, which bought a 20 per cent stake in Amax in 1975, sought to acquire the rest, in September, 1978, offering $57 a share in a $1.9bn bid.

As in 1978, Socal has shied away from a battle for Amax. The group, in which British Petroleum has a 6.8 per cent interest, again raised possible anti-trust objections to the Socal bid. Amax also indicated it considered Socal's latest offer inadequate.

Wall Street had not expected Socal to raise its bid. This has been reflected in the Amax share price, which after an initial run-up leading to a rash of insider trading allegations, has been trading on the New York Stock Exchange just under $60. Before the bid was announced at the beginning of March they traded at $38.50.

Following Socal's announcement, trading in Amax shares was delayed, although dealers indicated the shares would open in a range of $42-$50, against Friday's close of $57.50. Socal was practically unchanged at just over $41.

In its original cash and shares bid, Socal had offered $78.50 a share for Amax with price adjustments for a possible maximum of $86.75.

With earnings of $2.4bn on revenues of $42.9bn last year, Socal has been seeking to diversify and expand its natural resources operation and has viewed Amax as a perfect fit.

Amax, with earnings of $470.4m on revenues of $2.95bn last year, is the leading supplier in the U.S. of molybdenum

Thomson and Southam deny monopoly charges

BY ROBERT GIBBENS IN MONTREAL

SOUTHAM and Thomson Newspapers, Canada's largest newspaper chains, have both denied anti-competition and monopoly charges laid last Friday by the federal Department of Consumer and Corporate Affairs and the Justice Department.

The charges followed an eight-month investigation into the sudden closing on August 27, 1980, of the Thomson-owned Ottawa Journal, and the Southam-owned Winnipeg Tribune, preceded by the shutdown in September 1979 of the Montreal Star. The latter was owned by FP Publications which shortly afterwards was bought by Thomson Newspapers.

These moves left Southam owning the only English-language daily in Ottawa and Thomson Newspapers, majority owned by Lord Thomson and his family, the only one in Winnipeg.

At the same time that the Ottawa Journal and Winnipeg Tribune were closed, Southam bought Thomson's half ownership in Pacific Press, publishers of both the Vancouver Sun and Province and Thomson's one-third share of the Montreal Gazette.

Mr. Gordon Fisher, the president of Southam, said: "I do not think we have broken the law and I can only assume that the Government thinks it is worth trying to prove that we have."

Thomson Newspapers said the charges were "completely unfounded" and "we are confident we will be exonerated."

The two companies are due to appear in court on June 3 in Toronto when a hearing date will be set.

Thailand launches first credit since coup attempt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THAILAND has launched its first major credit since the attempted coup d'etat at the start of April. Despite continuing political unease, the credit bears margins finer than those on its previous transaction.

The $220m credit has two tranches, one for $165m to finance electric utilities and waterworks, and one for $55m to finance defence expenditure.

Both bear a margin of ⅝ per cent for four years rising to ¾ per cent for the remaining four. Repayments begin after a grace period of four years.

The credit is being led by Bank of Tokyo, Lloyds Bank International and Morgan Guaranty, although the Japanese bank will drop out of the lead group for the $55m tranche as it is not allowed to participate in credits to finance military equipment.

Earlier this year, Thailand's Electricity Generating Authority raised a $110m credit with a split ⅝-¾ per cent margin through Citicorp and Fuji Bank.

The decline in margins since then has surprised some international bankers in view of the political developments and the relative weakness of Thailand's economy.

However, they point out that other countries in the Far East have also been able to obtain very find terms this year, international bank exposure to Thailand is relatively low and competition in the Far East syndicated credit market based in Hong Kong remains intense.

Hoechst hit by U.S. and UK losses

By Kevin Done in Frankfurt

HOECHST, the world's second largest chemicals group, saw pre-tax profits last year fall by 13.6 per cent to DM 1.52bn, partly because of losses of $10m run up by its main U.S. subsidiary, American Hoechst, and losses in the UK.

The fibres operations also went into the red, with losses of DM 30m.

Hoechst's business has developed more strongly than expected in the first three months of 1981, however, helped by higher selling prices and by the strength of the U.S. dollar against the D-Mark.

The group's performance is still lagging behind the level established in the very good first quarter of 1980, but there has been some recovery in demand since the slump of the second half of last year.

Worldwide sales in the first quarter rose 10.1 per cent to DM 8.47bn compared with the first three months of 1980. The gain was achieved solely in foreign markets where turnover increased by 15.5 per cent to DM 5.95bn. Domestic sales fell 0.8 per cent to DM 2.52bn.

In volume terms sales by the parent company fell 2 per cent in the first quarter and Hoechst plants were operating at 77 per cent of capacity compared with 85 per cent

The pre-tax profit of the parent company in the first quarter fell to DM 212m from DM 314m in the first quarter of 1980, but this was an improvement on the profit achieved in the other three quarters last year.

Profits setback for Zanussi

By Rupert Cornwell in Rome

A STEEP drop in parent company net earnings last year, a near-doubling of overall debt and substantial losses by several subsidiaries underline the problems facing Zanussi, Europe's largest manufacturer of domestic appliances.

Group sales in 1980 rose 20 per cent to L1,220bn ($1.1bn). Of this L745bn was accounted for by Industrie Zanussi SpA, the parent company, where net profits nonetheless tumbled to L7.2bn from L17.9bn in 1979.

The main difficulties, however, are to be found among the specialist subsidiaries.

Investment last year by the group, 54 per cent of whose sales went for export, totalled L90bn. Overall debts (mostly consolidated on a medium or long-term basis) had jumped to L462bn—equivalent to 38 per cent of group turnover—by the end of December, 1980, from L287bn a year earlier.

Flat dividend from Superfos

By Hilary Barnes in Copenhagen

Superfos, the Danish chemicals group, proposed an unchanged 12 per cent dividend after recording a small drop in after-tax earnings last year from DKr 82.6m to DKr 82m ($9m).

The pre-tax earnings figure has not been published, but earnings before depreciation and net financial costs increased by DKr 37m to DKr 415m. Sales rose by DKr 589m to DKr 4.27bn.

Colin Chapman on Australia's bank merger wave

ANZ shows its hand

AUSTRALIA and New Zealand Banking Group (ANZ) confirmed yesterday that it was discussing a merger with the Commercial Bank of Australia—but the matter is unlikely to rest there. The Bank of New South Wales revealed, too, that it was having "merger discussions," although it was vague about whether this was a resumption of events in 1969, when it sought unsuccessfully to link with the CBA, or whether it involced another bank, the Commercial Bank of Sydney being the most frequently mentioned.

The timing of these merger moves is especially significant, coming only weeks before the Campbell Committee of inquiry into Australia's financial system produces a report which is expected to open the way for more competition in banking and possibly allow for the entry of foreign banks into the market place.

The Australian banking system seems bent on restructuring itself, perhaps to preempt the recommendations of the Campbell Committee and certainly to be ready for it. The motive for the restructuring is different from that of a decade ago. In 1969, when ANZ started the last round of merger talks by taking over the English, Scottish and Austrailan Bank, tht logic behind the move was increasing the national spread of each bank's branch network.

Today, wit more and more competition for funds in suburban high streets from building societies, workplace credit unions, and finance house investments, the banks are all looking to a rationalisation of their branch network, cutting out unnecessary duplication. The basic aim of a bank like ANZ or the Wales is to gain strength in order to be able to compete on the international professional money market for funds.

The move has come not before time. Australian banks have been losing their share of the finance industry market for the past 30 years, particularly in the housing loans area, to the building societies. But what the banks have lost on the banking side of their operations they have made up in other activities, to the point where trading bank activities are no longer the major component of profits.

AUSTRALIA and New Zealand Banking Group (ANZ), releasing its results two weeks early because of its bid talks with Commercial Bank, yesterday disclosed a 34 per cent rise in interim earnings to A$88.1m (US$101m) and an increase in the first-half dividend from 12 cents to 14 cents, writes our Sydney Correspondent.

The board expects a "satisfactory result" for the full year but warns that operating conditions will be more difficult in view of the tightening of credit conditions. For the whole of last year, ANZ earned a record A$135.9m. The first-half success included strong growth in the group's trading bank, finance company divisions and overseas operations

Dr. Michael Skully, a lecturer in finance at the University of New South Wales, who has documented the diversification undertaken by the trading banks in the last quarter century, points out that government controls on bank lending precluded the banks from sucessfully responding to non-bank competition, so they chose the only logical alternative and began offering a wide range of non-banking services, supported by their extensive branch networks.

These services included insurance, unit trusts, credit cards, investment management, travel agencies, computer services, share registry services, management consultancy and trustee work. The Bank of New South Wales even has an interest in a nationwide car hire company. But while this has helped profits, it has added to costs, and inevitably some banks have managed this polyglot business better than others.

The most popular banking stocks with investors last year were CBA, ANZ, CBC and Bank of NSW, which averaged 1.1 per cent, 0.9 per cent, 0.8 per cent and 0.7 per cent respectively of their listed ordinary shares traded each month. On an unadjusted basis the Bank of Queensland's shares showed the greatest potential capital gain, with the yearly high being 53.8 per cent up on the low. The National Bank ranked second with capital appreciation of 45 per cent, while the ANZ's 42.3 per cent gain was third.

Among the other banks, CBC appears to have sacrificed margins to increase market share. While it has had the highest gearing ratio of the six major banks, it has had the second lowest pre-tax returns. ANZ, on the other hand, bought market share through its takeover of the Bank of Adelaide and its subsidiary, Finance Corporation of Australia. While ANZ's gearing, along with that of the Bank of NSW, represents the average for the six banks, its pre-tax returns have led the way.

In the coming need for Australian banks to finance part of the country's resources boom, the ANZ and the Wales are the best placed to do so, followed by the Bank of Queensland and the National Bank. If they stay away from present merger plans, the CBA and the CBC would have problems, for they are the only banks not to have expanded their equity base in two years. Perhaps for this reason the CBA, and perhaps also the CBC, feel that their future would be safer under a larger umbrella.

Kuwait stake in VW reported

By Our Frankfurt Staff

VOLKSWAGEN, West Germany's largest motor car manufacturer, was last night unable to confirm reports that Kuwait has bought an approximately 6 per cent stake in it.

Kuwait interest in investing in VW has been public knowledge for some months. In June last year, Kuwait bought a 10 per cent interest in VW's loss-making Brazilian subsidiary, VD do Brazil.

The stake was purchased from the minority shareholder, Monteiro Aranha, a private Brazilian holding company, which still holds 10 per cent of VW do Brazil. The remaining 80 per cent is held by VW itself, which said at the time that it had no interest in reducing its stake.

Reports that Kuwait has bought up to 6 per cent of the VW parent company have begun to surface in West German banking circles. Kuwait already holds a 14 per cent interest in Daimler-Benz, the West German manufacturer of prestige cars and commercial vehicles.

According to West German financial news agency reports, Kuwait has been buying its shares in VW in the stock market.

VW shares have recovered strongly in recent weeks from thier low this year of DM 135 per share. The share closed yesterday at DM 151.5.

Elf income fails to match sharp rise in turnover

BY TERRY DODSWORTH IN PARIS

DESPITE a 37 per cent increase in turnover last year, Elf Aquitaine, the nationalised French oil company, raised net consolidated profits by less than 7 per cent, to FFr 6.34bn ($1.2bn).

The company gives two main reasons for the poor profits performance. First, there was a sharp reverse at its refinery subsidiary, from profits of FFr 9824m in 1979 to a loss of FFr 605m last year.

The slump, says Elf, was caused partly by slack market conditions, but also by the failure of the authorities to allow prices to increase sufficiently swiftly on products which are still controlled by the Government. Certain categories of oil are among the few items still under control after the widespread abolition of controls during the past two years.

The second reason was a big increase in Elf's tax charge, from FFr 4.4bn in 1979 to FFr 8.9bn last year, after changes in the regulations governing oil companies. The Government introduced these rules to cream off some of the exceptionally large profits which accrued in 1979 after the big rises in oil prices.

Turnover rose from FFr 56bn to FFr 76.7bn, and cash flow increased from FFr 12bn to FFr 14bn. But, partly because of government pressure, investments were forced ahead even more, rising from a value of FFr 7.19bn in 1979 to FFr 11.69bn.

The dividend is being raised by 50 per cent to FFr 52.5 net.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
‖	F.P.	—	£19⅝	£16¼	Amdahl	£18½	......	Q40c	—	1.0	—
‖	F.P.	—	500	200	✠Atlantic Res.	225	+10	—	—	—	—
§90	F.P.	15/5	120	89	✠Consultants 10p	108	+1	—	—	—	—
100	F.P.	1/5	120	105	Cystic Fibr Inv Tst £1	116	+4	—	—	—	—
‡‡	F.P.	—	183	112	††Eglinton Oil & Gas	163	......	—	—	—	—
30	F.P.	24/4	53	36	✠Euroflame	53	+2	b2.1	2.5	5.7	10.1
100	F.P.	22/5	111	102	G.T.GlobalRec.Inv Tst	110	......	—	—	—	—
‖	F.P.	—	62	56	✠Harvey & Thompson	58	......	g2.24	1.1	5.5	22.8
‖	F.P.	—	96	90	✠Intasun	90	......	g1.8	4.3	4.4	6.6
§84	F.P.	13/5	111	93	✠Metal Bulletin	109	+2	—	—	6.6	12.7
18½	F.P.	—	22	20½	Munton Bros. 10p	21½	+½	—	—	—	12.2
—	F.P.	—	57	43	New Darien Warrants	44	+1	—	—	—	—
‖	F.P.	—	5	3½	✠Reliant Motors	4	......	—	—	—	—
25	F.P.	—	25	20	Stone Platt Cnv Cm Pf	25	+1	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price	+ or −
9p	Nil	—	17p	16p	BPC 6.5% Non. Cum. Prf.	17p	......
9p	Nil	—	17p	16p	Do. 7.5% Non. Cum. Prf.	17p	......
9p	Nil	—	17p	16p	Do. 7.75% Non. Cum. Prf.	17p	......
¶	£10	18/6	10¼	10	Cambridge Water 8% Prf. 1986	10	......
• •	F.P.	13/5	34p	32p	Colonial Secs. 70% Cum. 2nd Pref. 5p	33p	......
100	F.P.	1/5	74	70	Cystic Fibrosis Res'ch In. Tst. 5% Deb.'86	70	......
96p	F.P.	—	96p	94p	Hill Samuel Jersey Fxd. Int. Pt. Red. Prf.	96p	......
99.486	£30	—	29	29	International Bk. 13¼% Ln. 1986	29¾	......
97¼	£10	10/7	11	9	Leeds (City of) 13½% Red. 2,006	9	−⅛
‖	F.P.		107p	102p	Norton (WE) 11% Cnv. Cum. Rd. Prf.	102p	......
100	F.P.	24/4	101	92½	PMA 10% Cnv. Cum. Red. Prf. N/Pd.	98	......
96¾	£20	—	20	18¾	Petroleos Mex. 14½% Ln.Due.2006£20%pd	18¾	......
100	F.P.	24/4	144	114	SuterElect.9½%Cv.subunsLn95-2000N/Pd	144	+4
¶	F.P.	26/6	102½	102½	Sutton District Water8% Pref.	102½	......
96⅝	£25	—	26	25	Swansea (City of) 13¼% Red. 2006 £25pd	25	......
‖	Nil	—	2p pm	2p pm	Weir Group 10% Red.Cum.Part Conv. pref.	2ppm	......
¶	F.P.	4/6	103	102¼	West Hampshire Water 8% Red. Prf.'86	102½	......

"RIGHTS" OFFERS

Issue Price p	Amount paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1981 High	1981 Low	Stock	Closing price p	+ or −
154	F.P.	9/3	22/5	220	171	Assoc. Dairies	218	+2
2	F.P.	8/4	29/5	6½	2	Barker & Dobson A	6½	......
SA9	P.P.	—	—	545	405	Broken Hill Prop.	525pm	+5
53	F.P.	—	—	64	60	Country & New Town Props	60	......
236	Nil	—	—	14pm	9¼pm	Elandsrand	11¼pm	+1¼
92	Nil	—	—	29pm	18pm	Electrical & Industrial	29pm	+4
95	Nil	—	—	45pm	37pm	Fothergill & Harvey	45pm	+2
103	P.P.	—	—	82	66	Hong Kong & Shanghai Bank	78	+2
48	F.P.	10/4	29/5	75½	54	I.M.I.	75½	+1
‖	Nil	—	—	2pm	1pm	Lond'n Shop Pr'p 9% Cnv94-99	1pm	......
Ir165	Nil	—	—	35pm	30pm	Rohan Group	35pm	......
160	Nil	—	—	16pm	13pm	Rowntree Mackintosh	13pm	−2
236	Nil	—	—	25pm	9¼pm	South African Land	10¼pm	+2
145	F.P.	24/4	22/5	177	162	Spirax-Sarco	176	......
6	Nil	—	—	5pm	3¼pm	Sterling Credit	4¾pm	+¼
40	F.P.	24/4	29/5	74	53	Suter Electrical	74	+4
82	Nil	24/4	22/5	118	100	Thermal Syndicate	118	......
A1¼	75c	—	—	95	69	Woodside	76	−1
36	F.P.	30/3	10/4	39	36½	Yorks & Lancs Inv. Tst.	36½	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Resulting from debt settlement scheme. ‡‡ Units comprising 125 A Ord. & 6 12½% Cum. Pref.

Pending dividends

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year
*Akroyd and Smithers	May 11	Int. 5.0
Allied Irish Banks	May 21	Final 3.5
Assoc. Paper Inds	May 15	Int. 2.44
Aust. & NZ Bk.	May 19	Int. 12 cents
Avon Rubber	May 21	Int. 4.0
BOC Intl.	May 21	Int. 2.1
*Bank of Ireland	May 14	Final 11.5
Bass	May 28	Int. 2.3
Beecham	May 29	Final 3.245
*Berec	May 15	Final 4.195
*Boots	May 21	Final 4.125
Brit. Home Stores	May 11	Final 5.25
Brixton Estate	May 6	Final 1.4555
Brockhouse	May 22	Int. 2.0
Capital and Counties	May 30	Final 2.0
Coalite	May 29	Final 2.56
Coates Patons	May 13	Final 2.6
Costain	May 6	Final 5.0
Courtaulds	May 29	Final 5.674
*Debenhams	May 29	Final 4.324
Duport	May 21	Final 3.115
Euro Ferries	May 15	Final 3.0
French Kier	May 5	Final 1.27
Hall (M.)	May 6	Final 5.46
ICL	May 29	Int. 0.95
Johnson and Firth Brown	May 14	Int. 1.3
Land Secs.	May 19	Final 5.3
London and Northern	May 20	Final 2.1
London and Overseas Frs.	May 30	Final 1.072
*Marks and Spencer	May 20	Final 1.9
*Mothercare	May 5	Final 3.38
Nurdin and Peacock	Apr. 28	Final 2.1
*Pearson Longman	May 5	Final 4.605
*Pearson (S.)	May 5	Final 6.25
*P & O	May 6	Final 4.0
*Philips Lamps	May 13	Final Fl 1.20
RHM	May 13	Int. 1.524
Readicut Intl.	May 19	Final 0.7
Redfearn Nat. Glass	May 20	Int. 5.28
*Sainsbury (J.)	May 6	Final 7.25
Samuel (H.)	May 19	Final 5.524
Sears	May 7	Final 1.3
Smurfitt (Jeff.)	May 6	Final 6.438
UBM	May 29	Final 2.5
*UDS	May 7	Final 3.61
*Vaux Brews	May 8	Int. 2.212
*Whitbread	May 19	Final 4.35
*Wolv. and Dudley Brews	May 29	Int. 3.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Knowsley (051-548 6555)	12¼	½-year	1,000	1-2

Public Works Loan Board rates

Effective from April 25

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid at maturity§
Up to 5	12⅞	13	13⅛	13⅜	13⅝	13⅞
Over 5, up to 10	13⅛	13⅜	13⅜	13⅞	14⅛	14⅜
Over 10, up to 15	13⅜	13⅝	13⅝	14⅛	14⅜	14⅜
Over 15, up to 25	13⅝	13⅞	13⅞	14⅜	14⅜	14⅜
Over 25	13⅝	13⅞	13⅞	14⅜	14⅜	14⅜

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Guinness Mahon	12 %
Allied Irish Bk.	12 %	■ Hambros Bank	12 %
American Express Bk.	12 %	Heritable & Gen. Trust	12 %
Amro Bank	12 %	■ Hill Samuel	§12 %
Henry Ansbacher	12 %	C. Hoare & Co.	†12 %
AP Bank Ltd.	12 %	Hongkong & Shanghai	12 %
■ Arbuthnot Latham	12 %	Keyser Ullmann	12 %
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	14 %
Banco de Bilbao	12 %	Langris Trust Ltd.	12 %
BCCI	12 %	Lloyds Bank	12 %
Bank of Cyprus	12 %	Mallinhall Limited	12 %
Bank of N.S.W.	12 %	Edward Manson & Co.	13 %
Banque Belge Ltd.	12 %	Midland Bank	12 %
Banque du Rhone et de la Tamise S.A.	12½ %	■ Samuel Montagu	12 %
Barclays Bank	12 %	■ Morgan Grenfell	12 %
Beneficial Trust Ltd.	13 %	National Westminster	12 %
Bremar Holdings Ltd.	13 %	Norwich General Trust	12 %
Bristol & West Invests.	13 %	P. S. Refson & Co.	12 %
Brit. Bank of Mid. East	12 %	Ryl. Bk. Canada (Ldn.)	12 %
■ Brown Shipley	12½ %	Slavenburg's Bank	12 %
Canada Perm't Trust	13 %	E. S. Schwab	13 %
Cayzer Ltd.	12 %	Standard Chartered	‖12 %
Cedar Holdings	12 %	Trade Dev. Bank	12 %
■ Charterhouse Japhet	12 %	Trustee Savings Bank	12 %
Choulartons	12 %	TCB Ltd.	12 %
C. E. Coates	12 %	United Bank of Kuwait	12 %
Consolidated Credits	12 %	Whiteaway Laidlaw	12½ %
Co-operative Bank	*12 %	Williams & Glyn's	12 %
Corinthian Secs.	12 %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	12 %	Yorkshire Bank	12 %
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	14½ %		
First Nat. Secs. Ltd.	14½ %		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9¼%. Short term £8,000/12 months 11.85%.
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¼%, and over £50,000 10½%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10½%.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Anthony Wieler Unit Tst. Mgmt. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgr. Ltd.

Barclays Unicorn Ltd. (a)(c)(g)

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Gp. of Unit Trusts Ltd.(a)(c)(g)

The British Life Office Ltd.

Brown Shipley & Co. Ltd.

Buckmaster Management Co. Ltd.

Canada Life Unit Trust Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers

Charities Official Invest. Fund

Chieftain Trust Managers Ltd.

Confederation Funds Mgt. Ltd. (a)

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Darlington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Equity & Law Un. Tr. M.

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd.

Robert Fraser Trust Mgt. Ltd.

Friends' Provdt. Trust Mgrs. (a) (b) (c).

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs.

Investment Intelligence Ltd. (a)

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd.

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group (y)(c)(z)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt.

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Northgate Unit Trust Managers Ltd. (c)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd.

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (a)(g)(c)

Rowan Unit Trust Mngt. Ltd.

Royal Tst. Can. Fd. Mgrs. Ltd.

For Saturn Fund Mngt. see SIMCO

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Amicable Inv. Mngrs. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Security Selection Ltd.

SIMCO Money Funds

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Insurance Group

Target Tst. Mngrs. Ltd. (a)(g)

Tower Unit Trust Mngt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co. (y)

Tyndall Managers Ltd. (a)(b)(c)

TSB Unit Trusts (y)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General (Unit Pension) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Pearl Assurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Amicable Investments

Scottish Widows' Group

Solar Life Assurance Limited

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (U.K.) Ltd.

Sun Life Pensions Management Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Life Assurance/Pensions(a)(b)(c)

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

B.I.A. Bond Investments AG

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Intl. Investment Mngmt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

CAL Investments (IoM) Ltd.

Capdirex S.A.

Capital Asset Managers Ltd.

Capital International Fund S.A.

Charterhouse Japhet

Chawton Commodities (Isle of Man) Ltd.

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Cortexa International

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ** Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. x Prospective real rate of return. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

IRISH

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 24

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES

Tuesday May 5 1981

Dispute boosts money supply

By Peter Riddell, Economics Correspondent

THE MONEY supply was significantly boosted last month by impact on tax receipts of the Civil Service dispute, official figures due out tomorrow will show.

The Government is likely to be anxious to identify these and other distortions in an attempt to show that the underlying rate of monetary growth remains moderate, probably within the *official target range.*

City financial markets believe that an immediate cut in minimum lending rate is unlikely, largely because of the satistical fog. The urgency of the calls for a further cut in MLR has receeded as sterling weakened in recent weeks.

Analysts' estimates of the likely change in Sterling M3, the broadly-defined money supply, range between increases of ½ and over 2 per cent. The Civil Service dispute may account for one percentage point of the change.

Treasury Ministers estimated last week that £1¼bn to £1½bn of tax receipts and national insurance contributions had been delayed in April by the dispute, taking the total backlog to between £2bn and £2½bn. This money should be received after the end of the dispute.

The money supply figures are for the period up to the middle of April. Some of the increase in Government borrowing resulting from the dispute will have been offset by large sales of gilt-edged stock and national savings.

Bank lending to the private sector in the period may have been reduced by sluggish loan demand from companies in response to the lower level of tax payments.

Lending will also probably have been affected by an unwinding of the arbitrage arrangements — switching between banks on interest-rate grounds — which inflated the mid-March level of advances.

Call for all-out Civil Service strike Page 8

Continued from Page 1

Arms

decided that the West should *seek negotiations* with Moscow to limit these nuclear arsenals.

One session of "talks about talks" was held by the Carter Administration last October, but partly because of the U.S. Presidential election there was no progress.

A major question now is precisely what sort of negotiation the Reagan Administration, which until recently was divided on the issue, intends to pursue.

The precise formulation of yesterday's commitment by Washington will appear in today's communiqué. It was not clear last night whether Mr. Haig envisaged preliminary talks at official level before his meeting with Mr. Gromyko.

While arms control has provided the centre piece for the NATO meeting, the communiqué is expected to reaffirm NATO's strong stand on Poland.

Continued from Page 1

ICL

nical and Managerial Staffs (ASTMS), ICL's biggest union, has also warned that it might meet any threat of mass redundancies with industrial action which would paralyse most government computers.

The Industry Department's hand has undoubtedly been strengthened by a report over the weekend that Sperry Univac of the U.S. was on the verge of making a bid for ICL. The report suggested that, if the bid succeeded, Sperry would close down many of ICL's manufacturing operations.

Sperry declined yesterday to comment on the report, though neither it nor ICL have attempted to conceal that they have been holding talks since before the Government approved its loan guarantee.

But sources close to both companies suggested that a bid was not yet imminent. Moreover, Sperry has not yet notified its intentions to the British Government, as it would be likely to do before going ahead with a takeover.

ICL has also been talking to about half a-dozen other foreign companies about the possibility of a link-up. They are believed to include Burroughs, Control Data and NCR of the U.S., Siemens of West Germany, Saint-Gobain-Pont-a-Mousson of France and at least one Japanese electronics manufacturer.

These discussions could be expected to continue under a new management, though the Industry Department clearly hopes they would lead to partnerships, not an outright takeover of ICL.

AUEW leaders expect committee to reject funds for postal ballots

BY PHILIP BASSETT, LABOUR STAFF

LEADERS OF the Amalgamated Union of Engineering Workers expect their proposal to accept government money to pay for postal ballots to be defeated in a vote this week by the union's policy-making national committee.

A refusal by the committee to support the executive council of the union's engineering section in its plan to take the *money provided for ballots* under the Employment Act, 1980, will deal a serious blow to Government hopes of trade unions embracing at least part of its programme of labour legislation.

If, as seems likely, the union *rejects the proposal when it* debates the issue tomorrow or Thursday the only union where acceptance is still a possibility will be the Electrical and Plumbing Trades Union which meets in Blackpool next week. The small Banking, Insurance and Finance Union has already rejected an attempt to seek money under the Act.

The result of the moderate engineers' union vote could have an effect on the electrical union's decision. The similar political complexion of the two unions has often bound them together previously. A decision by the engineering union not to make an application for funds would remove the possibility of conflict over the issue between the union and the TUC, which opposes the Employment Act and in particular the acceptance of ballot money.

Before the engineering union's national committee meeting got under way in East*bourne last week there had* seemed no doubt that the union would decide to apply for funds. However, it became clear that a substantial minority of the normally unanimous right wing of the union might join left wingers in voting against the executive's proposal. She dissident right wingers, then numbering 13, combined with the 34 votes the left can command on the national committee would have been enough to defeat the proposal.

Since then leaders of the engineers' union have made strenuous efforts to persuade their own dissident supporters not to switch their votes but they seem to have failed. They also seem to have failed even to persuade them to abstain from voting. Abstention of the dissidents would give the right victory, but it would leave the issue clouded.

Final efforts will be made to night at a meeting of the union's right-wing group but leaders of the engineers' union are now so gloomy about the likely outcome of the national committee's vote that Sir John Boyd, the union's moderate general secretary, will not attend tonight's meeting. His place will be taken instead by Mr. John Weakley, an executive councillor.

Union leaders believe feelings among dissident Right-wingers have hardened since last week. Mr. Terry Duffy, the engineers' union president, referred yesterday to reports of pressure on Mr. James Prior, the Employment Secretary, from Conservative backbenchers for further tougher union legislation. Mr. Duffy said provocative statements by prominent Tory MPs had retarded the union leaders' progress.

Mr. Michael Foot, the Labour Party leader, will address the national committee today but the union is unlikely to take a decision on its support for a formula for electing the party leader until tomorrow.

Elinor Goodman adds: The Department of Employment is considering ways of toughening up the closed shop legislation in case big Labour gains in this *week's local elections result in* more left-wing controlled authorities trying to impose closed shops on their suppliers.

Several schemes are being discussed, including increased compensation for workers who lose their jobs because they refuse to join a union. A much more radical solution being canvassed would stop local authorities operating closed shops altogether.

The Government has already published a discussion paper on the whole question of trade union immunities and is coming *under renewed pressure from* its own backbenchers to introduce more trade union legislation. But the current study of ways of dealing with abuses of the closed shop is being kept separate from the wider review of immunities.

The problem for Mr. James Prior, the Employment Secretary, who has successfully fended off demands for tougher legislation, is that changing the law relating to unfair dismissal cases and the closed shop, might open up the whole question of trade union legislation again.

Fokker-Douglas airliner planned

BY CHARLES BATCHELOR IN AMSTERDAM AND IAN HARGREAVES IN NEW YORK

FOKKER OF The Netherlands and McDonnell Douglas of the U.S. have agreed in principle to produce jointly a 150-seat airliner, the MDF-100.

The two companies will share equally the estimated $2bn (£930m) cost of the project, though they are also considering inviting other risk-bearing participants. Aero-engine manufacturers and other suppliers are possible partners.

The announcement provides a vital piece in the jigsaw of how the world's aircraft manufacturers will compete in the market for 150-seat airliners with a range of up to 2,000 miles. Fokker believes potential sales for such airliners could be as high as 1,500 to 2,000.

United Airlines of the U.S. said last week it would spend $9bn on such aircraft between 1986 and 1992 and many other airlines are also interested.

Douglas and Fokker envisage that the MDF-100 will enter service about 1986.

The agreement announced yesterday, however, is only for preliminary design. "A go-ahead will be contingent on kick-off orders of sufficient quantity and quality," said the joint statement.

Launch partners are essential if Fokker is to get Dutch Government aid in the project. The Government has put up two-thirds of the $75m development costs of Fokker's proposed F-29, many of whose features are being used in the MDF-100 design. Fokker would repay any Dutch Government assistance in the form of royalties per aircraft sold.

Fokker *has been seeking* international partners for the F-29 project and has held talks with U.S. aircraft makers, including Boeing, with Fuji, Kawasaki and Mitsubishi of Japan, and with the European Airbus Consortium. The *Japanese are particularly* keen to join in the development of the MDF-100, Fooker said.

A unique feature of the plans is the decision, if they go ahead, to set up parallel assembly lines at Fokker's Amsterdam plant and at McDonnell Douglas' Long Beach, California, factory.

The two partners will consider three possible engines for the new aircraft, which requires two wing-mounted power units, each producing 20,000 pounds of thrust. These are the Rolls-Royce RJ 500, developed jointly in the UK and Japan, the Snecma-General Electric CFM-56 and an engine being developed by Pratt and Whitney of the U.S.

Both companies expect a firm decision by the end of this year, by which time it should also be clear whether Airbus Industrie intends to compete in this *market and precisely how* Boeing intends to enter it.

For McDonnell Douglas, the announcement is a major step in its intense efforts to get a short to medium range airliner project off the ground.

The company has felt it cannot afford alone to finance a wholly new project, especially as it sees the need to go on producing derivatives of the DC10 and the DC9.

Douglas executives yesterday stressed that the birth of the MDF-100 would not mean the end of projects bearing the traditional DC—Douglas Commercial—trademark.

Accounting standards panel urged

By Andrew Fisher

COMPANIES WHICH fail to comply with accounting standards should be examined by a special panel including members of the Stock Exchange Council, a report by the Accounting Standards Committee, the body set up by the accounting profession to lay down standards for British company accounts, has recommended.

The need for such a supervisory body, the committee says in a report today, "is seen as an important and vital adjunct to setting accounting standards in the private sector."

The ASC says the Stock Exchange Council had approved the idea in principle and it strongly recommended that the UK and Irish accountancy bodies and the Council for the Securities Industry do the same.

The CCAB (Consultative Committee of Accountancy Bodies) yesterday agreed that ways of monitoring non-compliance should be tightened up, but said the wider implications of the proposals should be discussed further.

The ASC report also concludes that its membership should not be restricted to accountants; accounting standards should be set in the open after wide public discussion; accounting standards were still necessary

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Australian 'interest' in Observer

BY COLIN CHAPMAN IN MELBOURNE

DAVID SYME AND CO., publisher of the Melbourne Age, Australia's most important daily newspaper, confirmed yesterday that it was interested in joining a consortium to bid for The Observer, Britain's oldest Sunday journal.

Mr. Ranald Macdonald, the company's managing director, said he had told the Monopolies and Mergers Commission in London that both David Syme and John Fairfax and Co., major shareholders in The Age and publishers of the Sydney Morning Herald and Australian Financial Review, had a "serious interest" in The Observer.

The Monopolies Commission *is reviewing the proposed sale* of a controlling interest in The Observer by Atlantic Richfield to Lonrho.

"We can go no further until the Monopolies Commission makes its decision on the Lonrho bid," Mr. Macdonald said.

The sale by Arco to Lonrho is opposed by some Observer journalists, including Mr. Donald Trelford, the editor, and by the paper's former owner, Mr. David Astor. Mr. Astor is understood to have approached Mr. Robert Anderson, chairman of Arco, with a view to persuading him that the Australian group would be better qualified to take on The Observer's tradition than Lonrho.

The Age is edited by Mr. Michael Davie, former deputy *editor of The Observer under* Mr. Astor's ownership.

John Moore writes: Mr. Paul Spicer, a Lonrho director, said yesterday the move by the Australian group "does not make the slightest difference" to the agreement Lonrho has reached with Atlantic Richfield for the purchase of The Observer.

"There is going to be no gazumping. The deal is done. Lonrho and Atlantic Richfield have dealt. That is the final word."

He said that although their deal was conditional on the Monopolies Commission's approval, "it would amaze us if the deal was not allowed to go ahead."

Any move by another interested party to purchase The *Observer could be subject to a* Monopolies Commission reference.

U.S. to quit joint coal scheme

BY MARTIN DICKSON, ENERGY CORRESPONDENT

FINANCING of an important experimental coal works at Grimethorpe, South Yorkshire, has been thrown into uncertainty by a U.S. Government *decision to withdraw from the* project as part of its budget cuts.

The Grimethorpe plant, equally funded by the UK, the U.S. and West Germany under the auspicies of the International Energy Agency, is to explore the potential of a type of coal-burning boiler, the pressurised fluidised bed, which could lead to major advances in energy efficiency.

The three countries have invested £20m in the past five years in designing and building the plant, managed by the National Coal Board and the largest of its kind in the world. It is undergoing commissioning trials, and enters a crucial stage of operations this summer when its first full experiments begin.

The Reagan Administration has shocked its co-partners by an announcement that it will provide no more funds for Grimethorpe from 1982.

The other partners are understood to have made strong representations to the Americans to reconsider their decision at a meeting last week. The UK and West Germany said that by *pulling out* now the U.S. would lose the benefits of the project just when it was coming to fruition.

They remain strongly committed to Grimethorpe, which is meant to carry out a three-year programme of tests. It has sufficient backing to continue in operation for the immediate future.

Prime rate raised

Continued from Page 1

the White House, the Fed has moved gradually but firmly to a more nakedly monetarist approach to managing the credit markets.

Dr. Henry Kaufman, chief economist at Salomon Brothers, said events of the last few days had intensified the impression that the Fed was attempting to conform to a monetarist approach.

This has made the market even jumpier than usual about poor money supply figures and produced a continuing debacle in the bond markets, where there are very few buyers.

The Treasury's 12.75 per cent *bond was trading yesterday at* under 92, down from almost 100 a month ago.

Record yields were set again yesterday for most types of bond, creating the gloomiest possible outlook for the start today of the three-day Treasury re-funding.

Mr. Beryl Sprinkel, the Treasury under secretary most closely associated with extreme monetarism, said yesterday he was "concerned" about the recent surge in money supply but said he had not given up hope that the Fed would eventually bring about a gradual deceleration in the rate *of growth.*

Kevin Done adds from Frankfurt: The Bundesbank, the West German federal central bank, was forced to intervene officially at the mid-day fixing selling $25.6m as the D-Mark came under renewed pressure. Foreign exchange dealers also reported that the bank had sold about $100m unofficially

The D-Mark was fixed against the dollar at DM 2.2403 after reaching a peak during the morning of DM 2.2460, close to its three-year low of DM 2.25 reached in February before the Bundesbank took action to drive up German interest rates.

Weather

UK TODAY

Sunny intervals, scattered showers, rain in the west.

London, E. England, W. Scotland
Scattered showers, rain pos*sible later. Max. 11C (52F)*

S. England, Midlands, Channel Is., Wales
N.W. England, Lake District, Isle of Man, N. Ireland. Max. 12C (54F).

Borders, Most of Scotland
Max 10C (50F).

Orkney, Shetland
Wintery at times, rather cold. Max. 7C (45F).

Outlook:
Rain at times, warmer.

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	R	12	*54*	*Locarno*	F	14	67
Algiers	S	23	73	London	C	9	48
Amsdm.	C	10	50	L. Ang.†	C	14	57
Athens	S	20	68	Luxmbg.	C	7	45
Bahrain	S	29	84	Madrid	F	20	68
Barclna.	S	21	70	Majorca	S	20	68
Beirut	S	25	77	Malaga	S	25	77
Belfast	C	9	48	Malta	S	19	66
Belgrd.	S	15	59	M'chstr	C	9	48
Berlin	C	11	52	Melbne.	S	19	66
Bmghm.	C	9	48	Miami†	S	23	73
Blackpl.	C	9	48	Milan	C	9	48
Bordx.	C	13	55	Montrl.†	S	7	45
Boulgn.	R	7	45	Moscow	C	11	52
Bristol	C	10	50	Munich	R	6	43
Brussels	R	7	45	Nairobi	C	24	75
Budpst.	R	9	48	Naples	C	16	61
Cairo	S	27	81	Nwcst.	C	7	45
Cardiff	C	11	52	N. York†	S	12	54
Cas'b'ca	F	17	63	Nice	S	18	64
Cape T.	C	19	66	Oporto	S	16	61
Chicg.†	F	11	52	Oslo	Sl	2	36
Cologne	C	10	*50*	Paris	C	10	50
Conhgn.	S	10	50	Perth	C	19	66
Corfu	C	19	66	Prague	F	9	48
Dbrvnk.	C	16	61	Rykjvk.	C	8	46
Ednbgh.	C	7	45	Rhodes	C	17	63
Faro	S	23	73	Rome	C	15	59
Florence	C	13	55	Salzbrg.	R	7	45
Frankft.	C	7	45	S'ciscot	F	9	48
Funchal	C	17	63	Stckhm.	F	8	46
Geneva	C	11	52	Strasbg.	F	11	52
Gibrltr.	S	22	72	Sydney	C	20	68
Gl'sg'w	C	9	48	*Tangier*	F	17	63
G'rnsey	R	8	46	Tel Aviv	S	26	79
Helsinki	F	8	43	Tenerife	S	21	70
Innsbrk.	R	6	43	T'r'ntot	C	4	39
Invrnss.	C	6	43	Tunis	F	25	77
Istanbul	S	18	64	Valencia	S	19	66
Jersey	C	10	50	Venice	R	9	48
Jo'burg	S	19	66	Vienna	R	7	45
L. Plms.	F	21	70	Warsaw	F	8	46
Lisbon	F	16	61	Zurich	C	8	46

C—Cloudy F—Fair. Fg.—Fog. H—Hail. R—Rain S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

Fed's third ride on big dipper

For the third time in little more than a year, a surge in dollar interest rates is sending the world's currency and bond markets into confusion. In March last year, and again in the autumn, dollar short-term *rates rose to near the 20 per* cent level, and last night Federal Funds were again trading above this figure. Naturally, this powered the dollar higher on the foreign exchanges, taking the sterling-dollar rate, for instance, below $2.12 in New York.

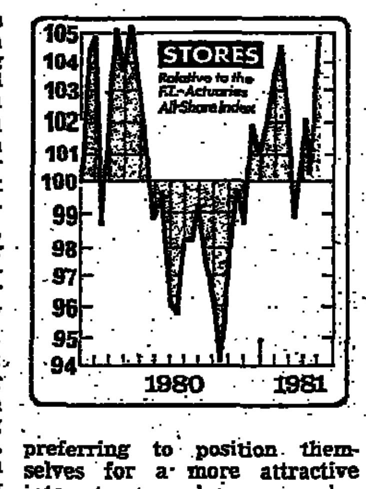
The slight decline in U.S. interest rates earlier this year has not proved sustainable in the context of continuing buoyancy in the U.S. economy, which inevitably has again started to show up in the money *supply figures. Thus one money* supply measure, M1-B, rose $4.2bn in the latest reporting week, taking it well above the target growth rate. These days the Fed reacts very quickly to such developments.

The trouble is that there is no real prospect of an early respite from this sort of credit crunch in the U.S. It is true some progress is being made in pushing spending cuts through Congress, but the impact of these cuts on the Treasury's finances will take some time to come through, and an obstinately strong economy is bound, in the meantime, to create difficulties for monetary management. This is perversely good for the dollar, but the bond markets have once again been plunged into deep gloom.

Europe, once again, is menaced by the high level of dollar rates, so the chance of any worthwhile reductions in D-Mark or franc rates is that much more remote, and the currency markets have to cope with an extra uncertainty in the form of the French presidential election on Sunday. If M. Mitterrand should win, pressure on the franc could well be translated into downward pressure on the EMS as a whole.

Sterling, as usual, is performing somewhere between the EMS and the dollar. It seems unlikely that events in New York carry any implications for domestic sterling interest rates for the time being. The domestic monetary picture is in any case thoroughly confused by the civil servants' dispute which is likely to make tomorrow's money supply figures hard to interpret.

The latest dollar upsets give some perspective on the persistent sluggishness of gilt-edged in recent weeks, in such *obvious contrast to UK equities.* International investors have been a missing force in gilts,



preferring to position themselves for a more attractive interest rate and currency play *in dollars, though plainly the* timing of a switch longer into dollar bonds is still a subject for some agonising.

Stores sector

This week's results from the *stores sector will serve to illus*trate just how much tougher trading conditions have become. True, there remain great success stories like Sainsbury, which is likely to disclose pre-tax growth of more than 40 per cent tomorrow. But today another well-managed chain, Mothercare, is expected to announce a setback in profits of more than a quarter, partly because of its ambitious attempts to expand on the Continent of Europe and in the U.S.

Also today, another sound performer, Hepworth, could show interim profits down a tenth. The worst figures are due from UDS Group, where some are predicting profits less than half last year's £24m pre-tax. This could be seen as a warning of the perils of losing track of retailing concepts as they develop.

Retailing concepts form the theme of a blockbuster 350-page review of retailing in Europe and the U.S. by the leading brokers in the sector, Scrimgeour, Kemp-Gee. Conditions in UK retailing, they suggest, will become more difficult in the 1980s than in the past two decades. Retailers throughout the rest of Europe have con*sistently raised with the brokers* the question of why UK retail profitability appears to be significantly higher. Looking ahead, they conclude that from the investor's standpoint the sector will demand an increasingly discerning strategy. The search will be on for those companies with a clear understanding of the concepts and an ability to put them into practice.

The 1960s and 1970s were decades when the multiples were moving into the attractive High Streets and expanding the sizes of their units, but this phase is over; some chains now have units which are too large. And the biggest recent growth has been achieved by retailers like Asda, MFI and Comet which have been quick to capitalise on edge-of-town concepts.

Scrimgeour, Kemp-Gee pinpoint other key factors. Market segmentation and positioning is vital, especially for multiple specialty chains. Retailers must have a clear understanding of the defined market sector they seek to serve. A successful example is Habitat, and Burton has carefully repositioned its menswear side. While Asda has dominated superstores, Sainsbury has achieved similar growth in large supermarkets.

Assortment planning is a complementary factor, and Mothercare is seen as an example of a retailer which has used it to dominate its target market segment. But the brokers wonder whether Boots, for instance, is too thinly spread in its merchandise range and could be vulnerable to more specialised chains, like Superdrug.

Clearly, too, technology is going to impact heavily on retailing in the coming decade, and those chains which are slow into electronic point-of-sale systems will suffer. Mail order has already given some clear lessons of the dangers of lagging in the technology race.

An area where the brokers' study seems weak, however, is the property connection. Tight planning controls have bolstered the position of property-owning UK retailers compared with, say, the U.S. This can help explain why stores shares are valued at a large premium in terms of p/e ratio in the UK, whereas in the U.S. they often stand at a discount.

What concepts do Scrimgeour, *Kemp-Gee pick out? They* believe there is still scope for great development in superstores, with 650-750 open by the end of the 1980s, against around 260 now. They wonder whether off-price apparel stores will be developed on the lines of *Loehmanns or Marshalls in the* U.S. They see attractive potential in customer services retailing, with increased franchising. And somebody could make a big success out of edge-of-town furniture retailing: the Swedish-based company Ikea is judged "one of the most exciting retailers in Europe in the 1970s."

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